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Tourism in France

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Today's survey

Business in Turkey

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World Business Newspaper

THURSDAY NOVEMBER 9 1995

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Volvo shares fall after drop in car division's profits

Volvo shares dropped 4 per cent yesterday after Sweden's biggest manufacturer reported weaker-than-expected nine-month figures and a sharp decline in its car division's profits. The pre-tax profits of SKr10.7bn (\$1.8bn) were about SKr300m below forecasts and 15 per cent down on last year's SKr12.7bn when hefty capital gains from disposals were included. The shares, down SKr6 to SKr40.5, were undermined by lower operating profits at its car division and evidence of weaker truck demand in some markets. Lex, Page 16; Details, Page 18

Peso falls despite interest rate rise: Mexico's currency dropped to new lows against the dollar in spite of Tuesday's 10 percentage points rise in domestic interest rates. Page 16

Israel's security chief quits: The head of Israel's secret police protection unit resigned as the government appointed a commission of inquiry into how a Jewish gunman breached security to assassinate prime minister Yitzhak Rabin. Page 4

BA ordered to pay hostages: A French court ordered British Airways to pay a total of at least £3m (\$4.75m) damages to 61 French Gulf war hostages who accused the airline of knowing the Iraqi invasion of Kuwait had taken place before their aircraft landed there. BA plans to appeal. Page 3

Airbus Industrie, the European consortium, which is made up of British Aerospace, Aérospatiale of France, Germany's Daimler-Benz Aerospace, and Casa of Spain, wants board approval to build a bigger version of its A340 aircraft. Page 16

French bomb suspect charged: Rachid Randa, 26, is due to appear in court in London today charged with conspiring to cause an explosion in France. Page 3; France puts tourism into economy class, Page 2

Nigeria confirms death sentences: On the eve of the Commonwealth summit, Nigeria confirmed death sentences on nine activists from the Ogoni minority area who were last week found guilty of alleged involvement in the murder of four leading local politicians. Page 4

Siemens, the German electronics group, raised net profits 36 per cent to DM2.05bn (\$1.4bn) for the year to end-September, after a strong turnaround in its electronic components division. Sales were up 5 per cent to DM88.5bn. Page 18

S Korean opposition attacks probe:

South Korean opposition parties said the investigation of alleged contributions by business leaders to former president Roh Tae-woo's sham fund was meant to distract public attention from allegations that President Kim Young-sam (left) used money from the fund to finance his 1992 election campaign.

President Kim has denied personally receiving funds from Mr Roh, but has refused to disclose the sources of his campaign finances. Page 9

MTI to shed 45,000 staff: Japan's partially privatised telecommunications company, Nippon Telegraph and Telephone, plans to cut its workforce by 45,000, nearly a quarter of its staff, in a move to deflect political pressure for a break-up. Page 16 and Lex

Brussels agrees German aid package: The European Commission approved a controversial German government aid package aimed at enticing Dow Chemical of the US to buy the plant which was the centre of the former East Germany's chemical industry. Page 2

US barrier to shipbuilding subsidies: The US emerged as the main stumbling block to the early phasing out of state aid to shipbuilders worldwide. The delay is due to a backlog of legislation in Congress and a dispute between Republicans and Democrats over shipbuilding policy. Page 8; Editorial Comment, Page 15

News Corp earnings fall: Third-quarter earnings from media tycoon Rupert Murdoch's News Corporation fell 5 per cent to \$210m. Strong performance from television and newspapers was more than offset by weakness in films, magazines and book publishing. Page 21

Kicking their heels: Sweden's 60-strong anti-terrorist police force, set up a year ago, is threatened by boredom. Never deployed, its members are resigning or threatening to quit because they have too little to do, says a report.

US market rates fall: Third-quarter earnings from media tycoon Rupert Murdoch's News Corporation fell 5 per cent to \$210m. Strong performance from television and newspapers was more than offset by weakness in films, magazines and book publishing. Page 21

Glaxo overhauls R&D to focus on commercial potential

Likely relief for Clinton and Dole as retired general ends speculation

Powell turns down presidency bid for personal reasons

By Jurek Martin in Washington

Retired General Colin Powell yesterday ended months of political suspense by announcing that he had decided not to run for the US presidency in 1996.

"Having looked deep into my soul," the 57-year-old former head of the joint chiefs of staff told a news conference, "I did not have 'the passion and commitment' for politics that he had for his military career. 'I still do not hear the call,'" he said.

Family considerations and his own desire for privacy had been factors. To run for president would require "sacrifice and changes to all our lives".

He also ruled out running as anybody's vice presidential candidate next year. "I understand the down and dirty of American politics - and that's the way it should be," he went on, "but it was just not appropriate for me at this time to seek the presidency."

His decision certainly removes a great threat to the candidacy of Senator Bob Dole, the majority leader for the Republican party's

presidential nomination. It probably also comes as a relief to President Bill Clinton.

National public opinion polls have consistently shown the general was preferred to both. They also have Mr Clinton beating Mr Dole in an hypothetical straight contest. But Gen Powell's deliberations over the last two weeks following rapturous receptions on the national tour promoting his recently published autobiography, have centred on both per-

sonal and practical political considerations. Mrs Alma Powell, his wife, had spoken publicly some weeks ago of the fears she had for her husband's safety should he become a presidential candidate. The assassination last Saturday of Mr Yitzhak Rabin, the Israeli prime minister, may have caused these concerns to come into sharper focus.

The prospect of a candidacy by Gen Powell, a self-described moderate in the "Rockefeller Republi-

can" mould, had also excited much opposition from the influential party rightwing, which rallied in Washington last week to promise a tough and divisive campaign should he decide to enter the race.

Other considerations included campaign finance and organisation. As a Republican candidate, Gen Powell would have needed to generate \$15m-\$20m in campaign funds for the primaries alone, no easy task when individual contributions are limited by law to \$1,000 per person.

Several veterans of earlier Republican administrations had offered their political services and Powell-for-president volunteer groups had been springing up all over the country.

But that still left Gen Powell with no real national organisation actually in place barely three months before the first state votes in Iowa and New Hampshire next February. A front-loaded primary season next year means that two-thirds of all delegates to the party convention will be selected by the end of March.



Colin Powell: ended months of national political suspense

Radical reform of EU ruled out by advisers

By Lionel Barber in Brussels

The high-level group of European Union experts preparing next year's inter-governmental conference has abandoned hope of recommending far-reaching institutional reforms.

The move is a setback for Germany, which had hoped for big changes in EU decision-making to pave the way for enlargement to eastern Europe and a total membership of 25-30 countries. The panel of experts, called the Reflection Group, is expected to conclude that only modest changes to the Maastricht treaty are possible.

The panel's emerging consensus should provide some relief to Mr John Major, the British prime minister, who is under pressure from Eurosceptics in his Conservative party.

The cautious approach to the conference is being driven by worries about public opinion in the 15 member states and treaty ratification problems. It is also affected by unease about passing judgment on Maastricht, which has been operating for only two years, and uncertainty over whether European monetary union will go ahead in 1999.

Another factor is the argument put forward by France that since EMU will be restricted initially to a small group, it is sensible to delay radical political arrangements. If EMU does not take place, further pooling of sovereignty may not be necessary.

Some Reflection Group members expressed disappointment at the drift of discussions. "We are in a pre-Maastricht situation. Nothing is happening," said one. Another said an interim report by Mr Carlos Westendorp, the senior Spanish diplomat chairing the group, was "hollow". Mr Westendorp is to submit a draft of his final report to colleagues soon, and is said to be frustrated by the tight leash imposed by national governments.

Spanish officials point to several likely practical recommendations which will make the EU work more effectively:

• Rearranging the weighting of votes between smaller and larger

Continued on Page 16

Yeltsin sacks governor of central bank

By John Thornhill in Moscow

President Boris Yeltsin yesterday sacked Mrs Tatiana Paramonova as acting head of Russia's central bank, raising doubts about the course of economic reform.

The departure of the internationally respected bank governor comes at a delicate time for Russia's economy. Parliament is continuing to wrangle over next year's budget and the government is pursuing discussions with the International Monetary Fund over a possible three-year loan of \$22bn-\$15bn.

Next month's parliamentary elections have only heightened the political sensitivities surrounding economic policy. Some bankers suggested Mrs Paramonova was being sacrificed ahead of the elections to show how Mr Yeltsin was responsive to parliament's concerns over her tight monetary policy.

Mr Yeltsin has been sharply critical of unpopular ministers, such as Mr Andrei Kozyrev, the foreign minister whom parliament wants to remove. "This is a very disconcerting development

Tatiana Paramonova: an internationally respected bank governor because Mrs Paramonova had all the right instincts," one Moscow-based western economist said yesterday. "There has been talk of pressure on the government to spend and maybe that is why she went. If that is true then we are in for a rocky time." Mrs Paramonova was respected by the IMF but reviled by many Russian

bankers for pursuing a tight monetary policy since her appointment in October last year.

Under her guidance, the central bank restored much of its battered credibility and helped steer the economy to within striking distance of stabilisation. This year, the monthly inflation rate has fallen from 17.8 per cent in January to 4.8 per cent last month and - since July - the ruble has been held within a narrow exchange rate band.

But parliamentary deputies, heavily influenced by the aggressive banking lobby, remained opposed to her confirmation as permanent head and twice voted against her nomination. That left Mr Yeltsin with the option of persevering with a weakened Mrs Paramonova as acting head or seeking a new candidate.

The timing of yesterday's announcement raised questions over who helped Mr Yeltsin make

the decision. Since a heart attack put him in hospital last month, Mr Yeltsin has met only a handful of government advisers and ministers, few of whom have any connection with economic policy.

Mr Alexander Khandruyev was appointed as acting governor until a permanent replacement could be found. Currently the bank's first deputy chairman, Mr Khandruyev is a long-serving bank official but has a mixed reputation in financial circles because of his close association with Mr Victor Gerashchenko, a presidential economic aide.

Editorial Comment, Page 15

THE SECOND CAUSEWAY SMALLER QUOTED COMPANIES FUND

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November 1995

STOCK MARKET INDICES	EUROPE	US GOLD
New York Composite	4,890.27	(+33.24)
MSX100 Composite	1,251.0	(-7.10)
Europe and Far East	1,062.33	(+0.00)
CAC40	2,172.3	(+2.47)
DAX	3,027.1	(+4.17)
FTSE 100	3,027.1	(+0.73)
Nikkei	17,563.27	(-157.53)

US LIVELIHOOD RATES	EUROPE	UK
Federal Funds	5.75%	5.75%
3-month Treasury Bills	5.51%	5.51%
Long Bond	10.83%	10.83%
Yield	8.27%	8.27%

US OTHER RATES	EUROPE	UK
3C-30 day bank	0.25%	0.25%
US 10 yr GSB	10.62%	10.62%
France 10 yr OAT	10.62%	10.62%
Germany 10 yr Bund	10.11%	10.11%
Japan 10 yr JGB	12.24%	12.24%

US STERLING	EUROPE	UK
DM 2,235	(2,237)	Y 162.8

US NORTH SEA OIL (AVERAGES)	EUROPE	UK
Brent 15-day (Dec)	\$16.53	(16.47)

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NEWS: EUROPE

US-Russian deal on Bosnia troops

By Bernard Gray,
Defence Correspondent

The US and Russia have agreed that Russian troops will participate in the peacekeeping force for Bosnia, but will not be under Nato control.

The agreement resolves weeks of diplomatic wrangling. Moscow has argued that its troops cannot come under Nato control, while the alliance has insisted on having full command of the operation.

It has now been decided that the general leading Russia's peacekeeping contingent will come under the command of General George Joulwan in his role as ranking US commander in Europe,

rather than in his role as supreme commander of Nato forces.

The agreement has thus reached the surprising result that Russia would rather have its forces commanded by a US general than a Nato chief. The accord followed a meeting between Mr William Perry, the US defence secretary, and General Pavel Grachev, his Russian counterpart, at Nato headquarters in Brussels yesterday.

Details of how the troops are to be integrated remain to be worked out, as does the issue of how political control of the force will be handled. Mr Perry and Gen Grachev are scheduled to meet again in two weeks' time to discuss these issues. Speaking after the meet-

ing, Gen Grachev said that "all Russian conditions have been met. Our forces will contribute, but Russian forces will not come under Nato command". He acknowledged, however, that a Russian general would serve as a deputy to General Joulwan, "through whom orders to Russian troops will be given".

Emphasising the fine line which has been drawn, Mr Perry said that "this preserves the unity of the command, but does not require Russian forces to be under Nato command".

No details were given of the number of Russian troops which would be committed to Bosnia. A significant Russian involvement has been seen as impor-

tant to securing the co-operation of the Bosnian Serbs in the implementation of any peace agreement.

Nato's insistence on having complete control of any Bosnian peacekeeping force follows the difficulties with the cumbersome UN command structure which has often made the existing force slow to react and ineffective.

However, Russia has been deeply concerned about the proposed expansion of Nato into central and eastern Europe. As a result, Moscow has been at pains to avoid the political embarrassment of its soldiers being commanded by a former enemy which seems to be encroaching on traditional Russian territory.

'Job killer' tax remains Bonn burden

By Peter Norman in Bonn

To Mr Theo Waigel, the Bonn finance minister, Germany's trading capital tax is a "fossil" and a "job killer" that should be scrapped as soon as possible.

But this week he had to bury his hopes of killing off the levy at the beginning of next year, and was forced to postpone its abolition until 1997 at the earliest.

Mr Waigel's retreat was not connected with the parlous state of the German government's finances or the need to plug gaps in the budget for next year. Instead, his plan for an early scrapping of the unpopular tax became ensnared in the complexities of Germany's federal system, where the federal states, local authorities and the opposition Social Democrats (SPD) – by virtue of their party's control of the Bundesrat, Germany's second chamber – all have a say in tax policy.

The trading capital tax exists only in Germany and Luxembourg and is levied on a company's value even when it makes a loss. Its abolition has been high on the wish-list of business lobbies for many years. It costs businesses DM6.8bn (\$4.9bn) a year, according to the DIHT, the umbrella organisation of the German chambers of industry and commerce.

It is true that its abolition would save companies only half that amount because the

rise in corporate profits triggered by the elimination of the tax would cause other taxes to increase. But in recent weeks, the tax has come to symbolise the heavy burden of taxes and other levies placed on German industry and commerce.

For business leaders such as Mr Franz Schöser, the chief executive of the DIHT, the government's inability to remove the tax in the coming months is a sign that its rhetoric about improving Germany as a place to do business lacks substance.

Mr Waigel's hopes this week were dashed by the SPD, which argued that the trading capital tax was paid by only 16 per cent of companies and that a better way of easing the costs imposed on businesses would be to reduce social security payments, making up for these by an increase in energy taxes.

The finance minister rejected this approach, partly because the subject of making the tax system meet ecological objectives is still one of heated debate within the centre-right coalition in Bonn.

But even if the SPD had been more co-operative, it is unlikely that the tax could have been scrapped this year. Some 80 per cent of its revenues accrue to local authorities and, according to Mr Jochen Dieckmann, the general manager of association of German cities, the necessary legislation would have been "much too complex" to be completed in time for 1996.

It has been proposed that the



Chancellor Helmut Kohl reacting to a speech during the budget debate in the Bundestag in Bonn yesterday

Germans close to accord on telecom rules

By Michael Lindemann in Bonn

The German government and the opposition Social Democrats (SPD) were last night expected to resolve their remaining differences about a liberalised telecoms market after 1998, ending weeks of talks during which the SPD has given way on a series of questions including regulation and licensing.

Agreement would enable the two sides to present a new law, which is being reviewed by ministries, to parliament together in January, ensuring a quicker passage of the legislation.

The government wants the legislation to clear parliament by next July, then plans to award licences so that companies can prepare for full-scale liberalisation in the world's third biggest telecoms market in 1998.

The SPD has given way to government proposals that Deutsche Telekom, the current monopolist, be subject to stricter regulation based on models used in the UK and other liberalised telecoms markets.

The opposition has also agreed to allow new operators first refusal of licences for Digital European Cordless Telephony or DECT, a new technology which enables operators to bridge the gap between households and the telephone network buried in the street outside. Initially only three DECT licences are likely to be available.

Deutsche Telekom has insisted on equal access to new technologies such as DECT and had hoped the SPD would defend its interests because of close links between the party and the company's unionised work force.

It has also been agreed that

Deutsche Telekom's new competitors will be allowed to apply to provide services just for one city or nationwide.

Talks were going on last night on how soon those seeking nationwide licences would have to offer nationwide coverage.

The SPD has suggested that the bigger companies wanting to provide telecoms services – such as electricity utilities – should have to provide nationwide coverage after four years of liberalisation.

Mr Arne Björnson, an SPD telecoms specialist, said no figure had been decided to define a dominant market share for Deutsche Telekom, but his party wants the future regulator to review the telecoms market every four years to decide whether rule changes are needed.

Strong preservation organisations are also active in the cities, insisting that new shops and businesses be designed to fit in with centuries-old architecture and buildings.

Furthermore, the lack of

retailing investment had

deprived east German cities of

sales tax revenues, which

could have been used to

improve the infrastructure or

reduce their deficits.

East Germany's local

authorities' deficits last year

totalled DM23bn (\$16.3bn).

local authorities should be compensated for revenue losses by being given a share from value added tax. But this will in turn require negotiations between the federal government, the state authorities and the representatives of the municipalities.

If the trading capital tax were an isolated case, there would be less concern about this week's postponement. But it is just the first of a series of

tax changes that Mr Waigel

wants to make, many of which

are intended to ease the burden on business and so encourage investment and employment.

In this week's Bundestag budget, Mr Waigel said that the wealth tax should be scrapped. But as the revenues from wealth tax accrue to the federal states, nobody is banking on a rapid decision.

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Reshuffled French cabinet sets priorities

Chirac stresses welfare reform in deficits drive

By John Riddiford in Paris

France's new government yesterday set out a tough stance on tackling the country's deficits, emphasising the need for spending cuts to eliminate the FF180bn (\$12.3bn) shortfall in the social security accounts.

Addressing the first meeting of the new cabinet after Tuesday's government reshuffle, President Jacques Chirac said cutting France's deficits was at the centre of the battle against unemployment.

"One cannot fight unemployment, which is the main objective, if one doesn't fight seriously against deficits and debts," said the Gaullist president.

Mr Jacques Barrot, who was appointed as minister for social affairs in the reshuffle, pledged structural reforms to the state welfare system.

"If we just increased contributions to fill in the holes then we would not get anywhere," Mr Barrot said.

The social affairs minister added that the government of Prime Minister Alain Juppé

would consider implementing reforms through decrees, a step which would speed the process and ease the passage of unpopular measures.

Trade unions have expressed opposition to welfare reforms, calling a day of action next week to coincide with the social security debate in the National Assembly.

The government is seeking to enact measures to take effect from the beginning of next year with the aim of satisfying the Maastricht criteria for European monetary union.

These criteria require that public deficits are a maximum of 3 per cent of GDP, compared with about 5 per cent forecast for France this year.

Union leaders have a measured response to the new cabinet and the creation of an enlarged social welfare ministry covering labour and pensions.

Mr Marc Blondel, head of Force Ouvrière, one of France's biggest unions, said he was satisfied with the creation of a single ministry. Although Mr Barrot emphasised the need for

spending cuts to balance the social security accounts, the government appears to be leaning towards a rise in the CSG, an income tax, to finance accumulated deficits in the welfare system. The increase may take the form of a broadening of the scope of the tax and/or a rise in its rate.

The balance between spending cuts and increased taxes in the welfare measures due to be unveiled next week is regarded as vital in determining the pace of interest rate cuts.

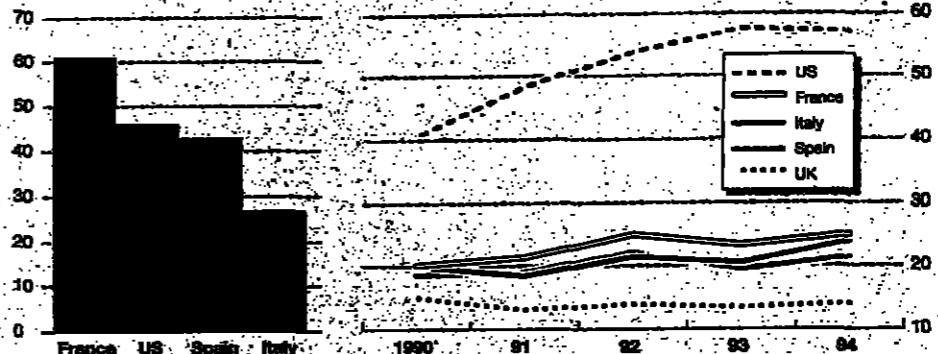
The Bank of France, which has welcomed Mr Chirac's strengthened emphasis on deficit reduction, yesterday steered call money rates lower, fueling expectations it might take a further step in cutting official interest rates as early as

next week.

Lower interest rates are needed to stimulate France's slowing economy. But Mr Alain Lamassoure, the newly appointed government spokesman and budget minister, said yesterday that future cuts would depend on building confidence among domestic and international investors.

French tourism: under threat

Number of foreign visits, 1994 (m)



France puts tourism into economy class

By Andrew Jack in Paris

France's tourism industry, already burdened by the impact of President Jacques Chirac's decision to relaunch nuclear testing in the South Pacific and the bombing campaign associated with the crisis in Algeria, has been further weakened by the cabinet reshuffle on Tuesday.

Members of the industry have long been worried that France's standing as the world's most popular tourist destination is in jeopardy. While the global market for tourism continues to grow rapidly, France has seen the number of holiday-makers remain unchanged for three years.

But rather than boosting its efforts, the government of Mr Alain Juppé has decided to subsume the tourism ministry into one encompassing infrastructure, housing and transport. And it is almost certain that the money allocated to it will be cut.

Out of office goes Ms Françoise de Panafieu, former cultural affairs assistant to Mr Chirac in his role as mayor of Paris, who was rewarded after his victory in the presidential campaign with her own ministry of tourism.

As recently as Monday she evaded the sharpened knives of deputies in the National Assembly, who are seeking FF2.2bn (\$1.4bn) in public expenditure cuts for the 1996 budget and had been eyeing her allocation of FF383.2m.

Officials stress the decision to remove Ms de Panafieu had little to do with her abilities

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Yes welfare
society drives

NEWS: EUROPE

EUROPEAN NEWS DIGEST

**French order
BA to pay up**

A French court yesterday ordered British Airways to pay compensation to 61 passengers who were held hostage in Kuwait after a BA aircraft landed there shortly after the Iraqi invasion in 1990. The court ruled that each passenger should receive between FF400,000 (\$52,000) and FF750,000 (\$128,000), depending on how much time they spent in captivity in Kuwait. The airline was also ordered to pay FF60,000 to each close relative of the former hostages. BA described the decision as "extraordinary" and said it would not appeal today.

The court ruled that BA was liable because the "invasion of Kuwait by Iraq seemed highly predictable" and the airline had "seriously failed in its duties" by landing in Kuwait. Judge Pierre Renard-Peyre said the truth of the allegation by passengers that SAS troops were on the aircraft "could not be legally established". However, citing several international newspaper articles from the time, he said that reports of the situation in the Gulf had been "particularly alarming".

The 61 passengers, who are French or residents of France, were among 364 people on the flight. Similar actions against the airline have failed in the English, Scottish and US courts. *Michael Shapinka, London, and Andrew Jack, Paris*

Brussels move on satellites

The European Commission is proposing a harmonised EU-wide licensing regime for the range of satellite systems being developed in the personal mobile telecommunications industry, it said yesterday. The intention is to ensure that use of the European radio frequency spectrum fits in with that elsewhere in the world, such as the US, where such licences have already been issued. "A European approach for licensing is urgently needed in order to use the limited frequency resource more efficiently and to strengthen the combined European position on this matter," it said.

A Commission spokesman said member states had already been consulted and favoured an EU-wide system managed by Brussels which could be set up by mid-1996. The Commission hopes that over a three-year period it can select satellite and satellite link operators, set common conditions for issuing licences, and establish a dialogue with regulators outside the EU. *AFX, Brussels*

Ruling imminent on Schneiders

The long-delayed extradition hearing for German property magnate Mr Jürgen Schneiders and his wife Claudia opened in Miami yesterday. Mr Schneiders and his wife are being sought by German authorities in connection with the biggest property collapse in post-war German history. In testimony before Judge William Turnoff, defence witness argued that none of the charges brought by the German authorities would meet the standard for prosecution in a US court. Under the extradition treaty between the US and Germany it must be shown that the crimes the Schneiders are alleged to have committed in Germany would be crimes in the US.

The Schneiders' defence lawyer, Mr Michael Lacher, argued in an opening statement that the documents presented in support of the extradition request were incomplete and that the lack of these documents cast "grave doubt" about German compliance with the extradition treaty. However, Judge Turnoff ruled that the German documents had met the requirements of the treaty. A ruling on the extradition request is expected shortly after the hearing concludes early this morning. *Henry Hammer, Miami*

Spain overhauls penal code

The Spanish parliament yesterday passed a new penal code, the most thorough overhaul of the country's criminal justice laws for more than a century. The "code of democracy" considered the most important step in updating Spain's legal system since the post-Franco constitution of 1978, received support from all parties in the Congress except the conservative Popular party, which abstained.

For Mr Felipe González's limping Socialist government, introduction of the new code was a crucial chance to demonstrate its capacity to continue governing despite the loss of solid parliamentary allies and its embarrassing defeat last month over the 1996 budget.

Newly included in the code, which is the fruit of years of negotiation among political parties, are tighter measures against corruption and money-laundering and offences such as sexual harassment and environmental crimes. The code also sets a new scale of sentences - in most circumstances up to 20 years in jail - equivalent to the maximum time currently served in practice. Provisions are made for replacing short sentences with fines, weekends in prison, and community service. Socialist spokesmen rejected claims by the Popular party that the measures would mean letting out 13,000 inmates, and put the likely number of releases at closer to 2,000. *David White, Madrid*

Hungary to free forint

The Hungarian parliament has passed legislation which will make the forint fully convertible for current account transactions from January 1. The move is a condition for membership of the Organisation of Economic Co-operation and Development, which Hungary hopes to join by the middle of next year. The Czech Republic is expected to be the first former east bloc country to join the OECD, which groups the world's industrialised nations.

The new legislation greatly liberalises the foreign exchange regime, enabling both Hungarians and foreigners to exchange forints for foreign currencies for any current account transactions. However, several restrictions still remain. Hungarians, for example, will still be limited to the exchange of \$600 a year for tourism abroad, but for the first time will be able to use forint-denominated credit cards when travelling overseas. Some cross-border financial transactions, such as the purchase of securities except equities, will still require central bank approval. This is to prevent the country from being flooded by speculative capital - which could be withdrawn at short notice, undermining confidence in the forint. *Virginia Marsh, Budapest*

ECONOMIC WATCH**Danish interest rates fall**

Denmark's central bank yesterday reduced its official discount rate from 5 per cent to 4.75 per cent from today. It is the first time since 1989 that the rate has fallen below 5 per cent. The bank said it had acted against the background of a stable krone exchange rate and a European tendency towards lower interest rates. Mrs Marianne Jelved, economy minister, hailed the cut as a very satisfactory development. The repo rate will also be reduced to 5.15 per cent from 5.3 per cent from today, and the rate for certificates of deposit by a similar amount from tomorrow. The krone has strengthened gradually to 3.876 against the D-Mark from 3.9 in mid-summer and 4.054 after currency turbulence in March. It is now back to its level before the collapse of the exchange rate mechanism in August 1992. *Hilary Barnes, Copenhagen*

■ German M3 money supply grew at an annualised rate of 1.8 per cent in September and at a non-annualised rate of 1.3 per cent from the fourth quarter of 1994, the Bundesbank said. Provisional September figures released last month had shown 1.5 per cent and 1.3 per cent respectively.

Duisenberg forecasts adoption of money supply targets and minimum reserves for commercial banks

Dutch push German line on Emu policy

By Andrew Fisher in Frankfurt

Monetary policy in the planned European monetary union is likely to follow the German model closely in order to help bolster Emu's credibility, according to Mr Wim Duisenberg, president of the Dutch central bank.

This would be especially important in helping convince people in Germany - where polls have shown widespread opposition to giving up the D-Mark - of the strength of the proposed new Euro-currency, he said.

Adopting money supply tar-

gets and monetary instruments similar to those in Germany would be necessary for the credibility of the planned European central bank, he told journalists this week.

His comments are likely to please the Bundesbank, but disappoint those, such as the British, who favour inflation rate targeting.

He thought it "very probable" that money supply targets would be used and "very very probable" that minimum reserves (requiring commercial banks to deposit a portion of their funds with the central bank) would be part of a Euro-

pean monetary system. The same would apply to Lombard and discount rates, which set upper and lower limits for German money market rates and form a key element in the Bundesbank's stability-oriented policies.

Mr Duisenberg was speaking after a meeting of the council of the European Monetary Institute, forerunner of a European central bank. He said the EMI's recommendations on how Emu should be introduced and on the transitional arrangements for the new currency would be announced in Frankfurt next Tuesday.

coins were introduced to the public around 2002.

Mr Duisenberg argued against a delay in the Emu starting date of 1999 laid down in the Maastricht treaty. "If you postpone it, you reduce the pressure for convergence," he said.

The treaty prescribes debt, budget deficit, inflation and other criteria for Emu membership. Acknowledging that Italy was unlikely to meet all of these and that France would have difficulty on the budget side, he said: "It can start without Italy, but I don't believe it should be able to join by a political judgment."

This sentiment was echoed in Bonn yesterday by Chancellor Helmut Kohl, who told parliament that launching a single currency without France would be impossible.

Mr Duisenberg said Emu was likely to consist initially of Germany, France, the Netherlands, Belgium, Luxembourg and Austria. Noting that the treaty allowed a country to be assessed as meeting the criteria if its economic performance was moving consistently in the right direction, he said France should be able to join "by a political judgment".

Aid for east German chemicals plant approved

By Emma Tucker in Brussels and Judy Dempsey in Berlin

A controversial German government aid package designed to entice Dow Chemical of the US to buy the plant which was the centre of the former east German's chemical industry was yesterday approved by the European Commission.

Brussels lifted objections to state aid worth DM9.5bn (\$6.83bn) to the Buna group,

arguing that the aid would return the company to viability through extensive restructuring. The aid to the former east German chemicals giant - amounting to DM3m per job - is the biggest subsidy ever granted to a German enterprise.

Mr Reinhard Höppner, state premier of Saxony-Anhalt where the group's Buna, Lenna and Böhlen giant chemicals complex is located, yesterday welcomed the deci-

sion by the Commission. "Buna now has a future," said Mr Höppner, whose ministers lobbied Brussels and the German finance ministry to push through the subsidies.

The Buna complex was the centre of the east German chemical industry before unification in 1990.

Aid was granted on condition that:

• DM966m of aid, intended to subsidise energy prices during and after the restructuring period, should not be paid.

employment in the region in related activities. It pointed out that several other local companies depend on the complex. Until 1998, more than 25,000 were employed at the complex.

Buna represents the last of the big state run industrial complexes of former east Germany to be sold off.

The European Commission has decided to drop its investigation of a joint venture between Unisource, the pan-

European telecoms company, and Telefónica de España.

But Brussels' competition authority said they would continue to scrutinise the deal to ensure it did not harm competition. Unisource is jointly owned by PTT Telecom of the Netherlands, Swiss Telecom PTT and Sweden's Telia AB. Under the proposed joint venture Telefónica will be the fourth partner in Unisource International, a recently created joint venture.

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NEWS: INTERNATIONAL

Troika likely to help fill Rabin void

Three men will be central to Labour's peace and election efforts, writes Julian Ozanne

In the Israeli government shake-up forced by the assassination of Prime Minister Yitzhak Rabin, power is expected to be consolidated in a troika under Mr Shimon Peres, the acting prime minister.

Complex coalition and internal Labour party negotiations are under way, but it is almost certain that three men, who represent Israel's younger generation, will be promoted to fill the political and security void left by Mr Rabin's death.

Mr Haim Ramon, chairman of the Histadrut trade union federation, Mr Yossi Beilin, economics minister and Mr Ehud Barak, interior minister are considered critical to bolstering the government in the run-up to elections in October next year.

Mr Ramon, 45, and Mr Beilin, 46, have built their political careers around support for the peace process. As the leaders of the dovish "Group of Eight" inside the Labour party, they played an important part in pulling the leadership of Mr Rabin and Mr Peres towards a more radical peace policy before the 1992 elections.

However, a likely desire on



Barak: tough on security

their part to speed up the process will be counter-balanced by Mr Barak, the 33-year-old former army chief of staff, who is staunchly on the right of the party and is considered to be tough on security.

Mr Barak, who is likely to be appointed defence minister, has said Israel must keep a security presence on the occupied Golan Heights, even in the event of a peace agreement with Syria. And, in his first cabinet vote earlier this year on Mr Peres's negotiating position for talks with Palestinians on Israeli troop redeployment in the West Bank, he abstained

because he thought Israel was conceding too much too soon. Mr Peres suffers an image problem. He is viewed as a "visionary" too willing to surrender Israel's security in a rush towards peace with Arabs and the creation of a "new Middle East".

By contrast, Mr Barak has spent 35 years as a career soldier and is regarded as pragmatic and security-conscious and fully aware of the military and security implications of any territorial compromise. He is popular with Israel's generals and is respected by the right wing. He is one of the few Labour party leaders capable of engaging the militant Jewish settlers in a dialogue.

As such he is seen as best able to fill Mr Rabin's shoes and capable of winning the support of a sceptical public nervous about security. His promotion is also considered critical to attracting the votes of the political centre, which will decide the next elections.

In social and economic policy, the arrival of the younger generation is likely to push the party further towards a "New Labour" philosophy of economic liberalism and of rolling

back the welfare state. Mr Ramon is also seen as important to Labour's bid for the political centre. He resigned his position as health minister last year when Mr Rabin and the Histadrut refused to back his health bill which promised to break the link between compulsory Histadrut membership and the health service.

He then quit the Labour party before being swept to power as Histadrut chairman on an independent list which defeated old-guard Labour for the first time in the federation's 75-year history.

Mr Ramon is expected to rejoin the Labour party next week, either as foreign or interior minister or deputy prime minister with responsibility for economic and social policy.

Mr Beilin has none of the national political standing of either Mr Ramon or Mr Barak. He is not a populist like Mr Ramon and is considered fat to the left of Israel's consensus on the peace process. He has backed an independent Palestinian state. In politics since 1977, he has spent his career working with Mr Peres.

But he is the intellectual

driving force of the Group of Eight and commands support on the left. His growing political importance was recognised earlier this year when he was promoted from deputy foreign minister to the cabinet as economics minister.

After having been involved in the peace process he is the natural choice for foreign minister if Mr Peres chooses to give up the portfolio. Alternatively he could replace Mr Barak as interior minister.

How the changes are put together will depend on negotiations in the days ahead. First, if Mr Peres can broaden his coalition by including an orthodox religious party he will have to surrender at least one cabinet place as the price.

Second, he is believed to be determined not to promote anybody who will challenge him for the Labour party leadership next year. Mr Barak has already said he will not compete against Mr Peres. If Mr Ramon makes the same pledge, a move being urged on him by fellow members of the Group of Eight, the way will be clear for what many Labour party members see as the construction of a "dream team".



Ken Saro-Wiwa, son of condemned Nigerian minority rights activist Ken Saro-Wiwa, in Auckland yesterday where he urged Commonwealth action against his country's military regime

Death sentences defy Commonwealth hopes

By Our Foreign Staff

Nigeria's military regime yesterday hung down the gauntlet on the eve of the Commonwealth summit, when it confirmed death sentences on nine activists from the Ogoni minority area.

"This is a case of murder and we accepted in totality the pronouncement and the verdict of the tribunal, and that is that those who were convicted died by hanging," Brigadier-General Sam Malu, commander of the army's 82nd division, told reporters after the council's meeting.

The nine, including writer Ken Saro-Wiwa, president of the Movement for the Survival of Ogoni Peoples (Mosop), were found guilty last week by a tribunal of the murder of four pro-government chiefs in the volatile oil-producing area.

Gen Malu did not say when the sentences would be carried out. "The PRC [Provisional Ruling Council] unanimously agreed and accepted the verdict of the tribunal," Gen Malu said. "We have gone through the papers in detail and we are completely satisfied with both the constitution of the tribunal, the outcome and the whole conduct of the tribunal."

The Ogoni case has also focused attention on environmental concerns for Nigeria's oil-producing areas.

All 14 people tried on the murder charges are members of Mosop, which has campaigned for self-determination for the 500,000 Ogoni people and for the protection of their land, where Anglo-Dutch giant Shell is the main oil producer.

See Editorial Comment

Nigeria and nuclear tests will dominate summit

By Michael Holman in Auckland and Terry Hall in Wellington

When Commonwealth leaders open their summit in Auckland tomorrow, the warm welcome that awaits Nelson Mandela on his first appearance will soon give way to issues as serious as any the association has faced.

Deciding how to deal with the military regime in Nigeria will test its commitment to human rights and democracy.

And the dispute over French nuclear testing in the Pacific is likely to expose a geo-political fault line that could gravely weaken the Commonwealth.

Australia and New Zealand will be leading demands that fellow members condemn France. Britain has made clear it will oppose the move seen here as a decision to put its interests in Europe ahead of Commonwealth loyalty.

If this is the case, local commentators should not Australia and New Zealand allow their colonial ties to wither, and instead concentrate on forging closer links with Asia?

The summit's opening session, however, will see a suspension of hostilities as the association puts itself on the back.

The Commonwealth "was in the vanguard of the interna-

tional campaign to end apartheid" in South Africa, wrote its secretary general, Chief Emeka Anyaoku, in his report last week.

On several other counts, too, the Commonwealth has cause to celebrate. Membership is rising and the number of military regimes has fallen from nine in 1991 to three - Nigeria, Sierra Leone and Gambia.

Yet there is seen as three too many, with Nigeria, whose 50 million people have been under army rule since 1963, arousing especially concern and calls for its suspension from the Commonwealth and for sanctions.

Mr Mandela's very presence prompts an awkward question.

If what amounted to exoneration from the Commonwealth, and sanctions against South Africa helped bring about Mr Mandela's release and the downfall of apartheid, why are those weapons not being used to bring change to Nigeria?

Although Nigeria's military leader, General Sani Abacha responded to international pressure and commuted death sentence passed on alleged coup plotters, Chief Moshood Abiola, the man who won the aborted presidential elections in 1993, remains in jail.

Meanwhile Mr Ken Saro-Wiwa, a community activist, was only last week sentenced

to death on charges widely regarded as trumped up.

Given Gen Abacha's pledge to restore democracy by October 1998, albeit later than hoped, and assuming the death sentence on Mr Saro-Wiwa is commuted, notwithstanding yesterday's confirmation of the penalty by the ruling military council, the Commonwealth may agree that he has done just enough to get himself off the sanctions hook and to escape suspension.

But if the Commonwealth can find consensus on Nigeria, there seems no way out of a damaging split over the nuclear tests.

In an article in the Australian this week, Britain's foreign secretary, Mr Malcolm Rifkind, gave advance warning that the UK would not give ground. He wrote that Britain, France and the US would sign the protocols of the Treaty of Rarotonga in the first half of 1996, ending nuclear testing in the region for good.

This view gets a sharp response from those who live in the region, "unwilling to view several more tests as an acceptable final nuclear filing", as a commentator in the same paper put it.

The likely outcome is that the summit will agree to disagree.

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NEWS: THE AMERICAS

Dole regains title of the man most likely to

Jurek Martin on the outlook for the Republican presidential nomination

Senator Bob Dole cannot have had many better political days than he did yesterday. The Republican majority leader may still face an uphill run for the presidency, but at least his party's nomination for the main event now looks more assured than it has for weeks.

His morning appearance in Manchester, New Hampshire, to receive the endorsement of Governor Steve Merrill was good enough news in itself. It should reverse his slide in the polls in the state, which holds the first presidential primary in February next year.

But that faded into insignificance when it became clear that the man most responsible for the erosion in Mr Dole's standing - retired General Colin Powell - would not enter the race for the White House.

The reasons Gen Powell were due to put forward later in the afternoon might take some of the gloss off Mr Dole's satisfaction. It was possible he would make critical remarks about Republican ultra-conservatives that would take him out of consideration as a possible unifying running mate for Mr Dole. But, for the moment, it leaves the Republican race where it was before the Powell tidal wave started washing

across the country - with Mr Dole the clear front-runner, well ahead of nine other candidates, none of whom has broken out of the pack seriously to cut into his lead.

Others have had their brief moments in the sun. Senator Phil Gramm of Texas tied with Mr Dole in a summer straw poll of Iowa Republicans and won a similar exercise in Maine last weekend, but these were dominated by conservative activists.

But Mr Gramm's abrasive personality still grates on most who hear him. He also forfeited a good chance of winning Mr Merrill's endorsement by trying to push Arizona ahead of New Hampshire in the primary calendar. Mr Dole's refusal to join in a similar effort for Delaware received its reward yesterday.

Of the others, Mr Lamar Alexander, former governor of Tennessee, ploughs away without much impact in the polls. Heavy advertising in favour of a flat rate of income tax by Mr Steve Forbes, the wealthy magazine publisher, may be making some waves in low-tax New Hampshire but fewer elsewhere. Mr Pat Buchanan is sounding more like an independent candidate and could have bolted the party if Gen Powell

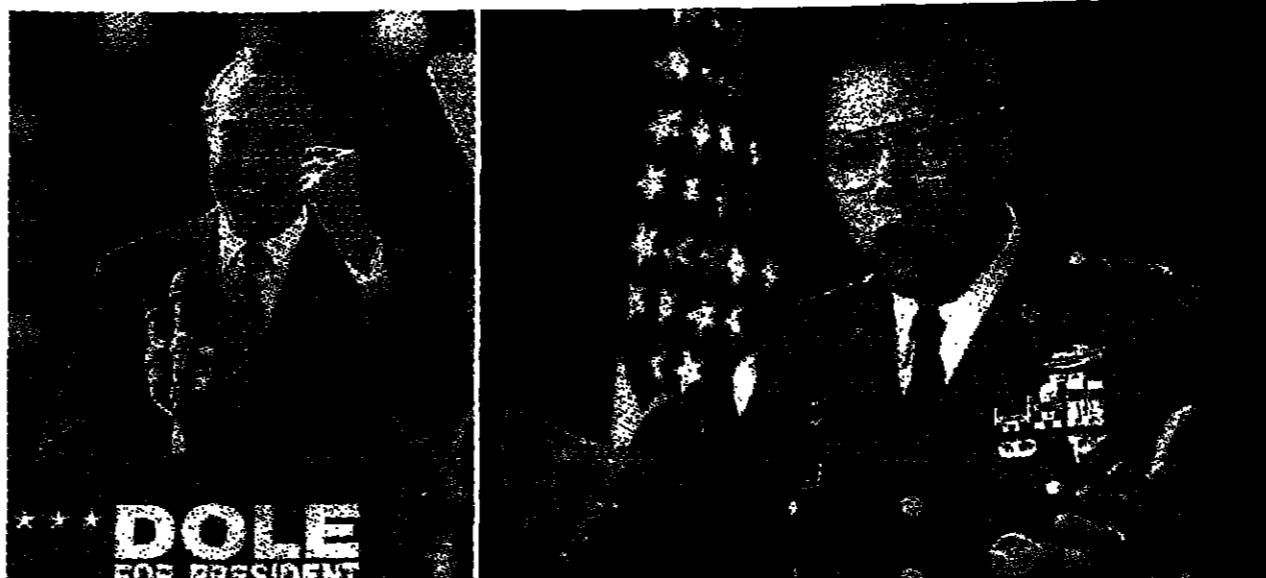
were the nominee. He may still do so.

There is one potential party cloud on Mr Dole's horizon in the person of Congressman Newt Gingrich, the Speaker. He has said all along that he would make no move on his own before Gen Powell made his decision.

There are plenty of people in the Speaker's conservative salons who will now urge him to get into the contest so as to preserve the 1994 conservative "revolution" of which Mr Dole, his moves to the right notwithstanding, is considered only a qualified supporter.

Mr Arlanand Stassinopoulos Huffington, wife of last year's failed California senate candidate, is merely one "celebrity" who makes this argument frequently in print and on the air.

But Mr Gingrich freely admits few politicians attract the negative ratings he commands, 50 per cent and upwards in two recent national polls. This reflects dislike not only of his policies but of his rhetoric, still prone to lapse too often into the extreme. He also woke up yesterday morning to new evidence from the off-year elections that his revolution is playing much less well in the heartland than in Washington, DC.



Dole, left, announcing his candidacy in April, and Powell, catching the nation's eye at a Pentagon briefing during the Gulf war

The results may have been too scattered to be decisive but they could serve as a warning. So may the next few weeks in Congress, as Mr Gingrich leads the Republican charge in trying to bend President Bill Clinton to his budgetary will.

The problem is that the Speaker seems either unwilling or unable to keep his ardent young House conservatives in check as they seek to impose ever more radical social conditions on the budget and an extension of the debt ceiling.

All the Republican cacophony over Gen Powell has not been matched on the Democratic side, once it became clear early on that he would not challenge Mr Clinton in the Democratic primaries and was unlikely to take a quixotic challenge to the right of the Republican right that the party could have been splintered, with some following the likes of Mr Buchanan and others supporting whatever Mr Ross Perot's fledgling party amounts to.

In that case Mr Perot's That calculation has not changed. It remains easier for him to carry a state - and all its electoral college votes - if the field is crowded on the right. Of course, the unknown factor is the mood of the country. The one constant throughout the 1990s is the sense of dissatisfaction with the quality of candidates on offer and with the two main political parties. This explains why Gen Powell, seen as a man of integrity, independence and moderation, was so appealing. But the attraction did not extend to the man himself.

Republicans fail to shine in country-wide off-year elections

By Jurek Martin in Washington

The Republican bandwagon may still be rolling in Washington but it looked distinctly wobbly in off-year elections across the country on Tuesday.

Mr Kirk Fordice, the Republican incumbent, held on to the governorship of Mississippi, but the party failed in its two prime targets, control of the Virginia assembly and the governorship of Kentucky, and lost a handful of seats in other state elections.

In Virginia, the Democrats preserved their 52-47 majority in the house of delegates and lost two seats to end in a 20-30 tie in the state senate. But they retain control because the deciding vote in that chamber is cast by Lt Gov Donald Beyer, who is a Democrat.

The state's geographical divisions were sharply underlined. The rural southern parts of the state saw some Republican gains, including the defeat of the senate's majority leader. But the prime

battlefield in next year's nationwide elections is more likely to be the suburbs than the countryside.

The results were immediately seen as a substantial defeat for Virginia's Republican Governor George Allen, who had staked the future of his conservative revolution on the party winning both chambers for the first time since the aftermath of the civil war.

He is now likely to be assigned to lame duck status for the two years remaining in his term, and his ambitions on the national stage, in which he has been closely identified with Mr Newt Gingrich, the Speaker of the House, have clearly been dented.

Mr Haley Barbour, national Republican party chairman, sought to play down the consequences of the elections, on the grounds that the Democrats were inclined to claim victory "every time they don't lose everything".

However, the Speaker and Republican national policies suffered a relatively

rare setback in a referendum.

In Maine, Democrats won both special elections and took back control of the state. A referendum rejected an anti-gay rights proposition pushed by conservatives. In New Jersey, Democrats gained three seats in the assembly but Republicans, already running the senate, still won a 50-50 majority.

Most of the 10 big city mayoral races saw power remain with incumbents, with Democrats easily holding on in Philadelphia, Baltimore and Houston. San Francisco will hold a run-off next month between Mr Willie Brown, former state assembly speaker, and Mayor Frank Jordan, both Democrats.

A non-binding "presidential preference poll" in over a dozen central and western towns, organised by a private organisation, gave 44 per cent to President Bill Clinton, 18 per cent to retired General Colin Powell and 12 per cent to Senator Bob Dole. It came before Mr Powell's announcement on whether he would stand for the Republican nomination.

The man is believed to have handed himself in to a judge in the southern city of Comodoro Rivadavia on Monday and was flown to Buenos Aires on Tuesday for questioning by Mr Juan Jose Galeano, the federal judge who heads the bombing investigation.

He did not give the man's name.

Telam, the state-run news agency, quoting prosecutors, said he was a 35-year-old artillery sergeant dismissed for taking part in a 1990 mutiny.

The man is believed to have handed himself in to a judge in the southern city of Comodoro Rivadavia on Monday and was flown to Buenos Aires on Tuesday for questioning by Mr Juan Jose Galeano, the federal judge who heads the bombing investigation.

However, it sold for \$20m, and its success should tempt back to the auctions other significant paintings which have been locked away in Japan in recent years.

A much earlier Picasso, a portrait of a circus performer from his "pink period" of 1905,

Christie's sale lifts art market

By Antony Thomscoff

The recovery in the international art market was confirmed at Christie's in New York on Tuesday night when an auction of 65 impressionist and modern paintings and sculptures sold for \$107.7m, the first time that Christie's auction has topped \$100m since the halcyon days of 1990.

Most attention was on one of Picasso's sensuously imaginative portraits of his mistress Marie-Therese Walter, painted in 1932. In 1989 a Japanese buyer paid \$26.4m for the work. Returning it so soon to a weaker market was a risk and Christie's was expecting bids of around \$15m.

However, it sold for \$20m, and its success should tempt back to the auctions other significant paintings which have been locked away in Japan in recent years.

A much earlier Picasso, a portrait of a circus performer from his "pink period" of 1905,

Cardoso camp eyes a second term

By Angus Foster in São Paulo

Ministers close to Brazil's President Fernando Henrique Cardoso are raising the possibility of changing the constitution to allow his re-election at the end of his four-year mandate in 1998.

However, the proposal is controversial and may complicate Mr Cardoso's negotiations with Congress on other reform proposals, as well as inspire criticism from other presidential hopefuls.

Mr Sérgio Motta, communications minister and one of Mr Cardoso's most trusted advisers, raised the matter this week, saying "this is the right moment" to discuss it. Mr Cardoso has refused to be drawn, saying it is a matter for Congress to decide. But he is widely thought to be keen to seek another term.

Brazil's constitution restricts the president, state governors and mayors from seeking re-election to consecutive four-year terms. But a constitutional amendment allowing re-election has been proposed in Congress by a member of Mr Cardoso's ruling alliance, and could be given a floor vote later this year.

Mr Cardoso's advisers want to secure his re-election chances while his popularity remains high, and before next year's municipal elections. Up to 100 congressmen are expected to dispute those elections, and will be opposed to any changes which would let incumbent mayors remain in office.

If the re-election amendment is not approved shortly, it will probably have to wait until 1997, when approval would be complicated by preparations for the presidential and gubernatorial elections in 1998.

Mr Luis Inácio Lula da Silva, Mr Cardoso's main rival in last year's presidential race, said that he supported the re-election proposal, but that present mandate holders should be excluded.

Mr Antônio Carlos Magalhães, a powerful northern senator whose son is also a potential presidential candidate, said he feared raising the re-election question at this stage could damage the government's reform proposals.

Mr Cardoso has sent important measures on tax, social security and budget reform to Congress. Some analysts are worried that Mr Cardoso may water down some of these proposals in return for approval for the re-election amendment.

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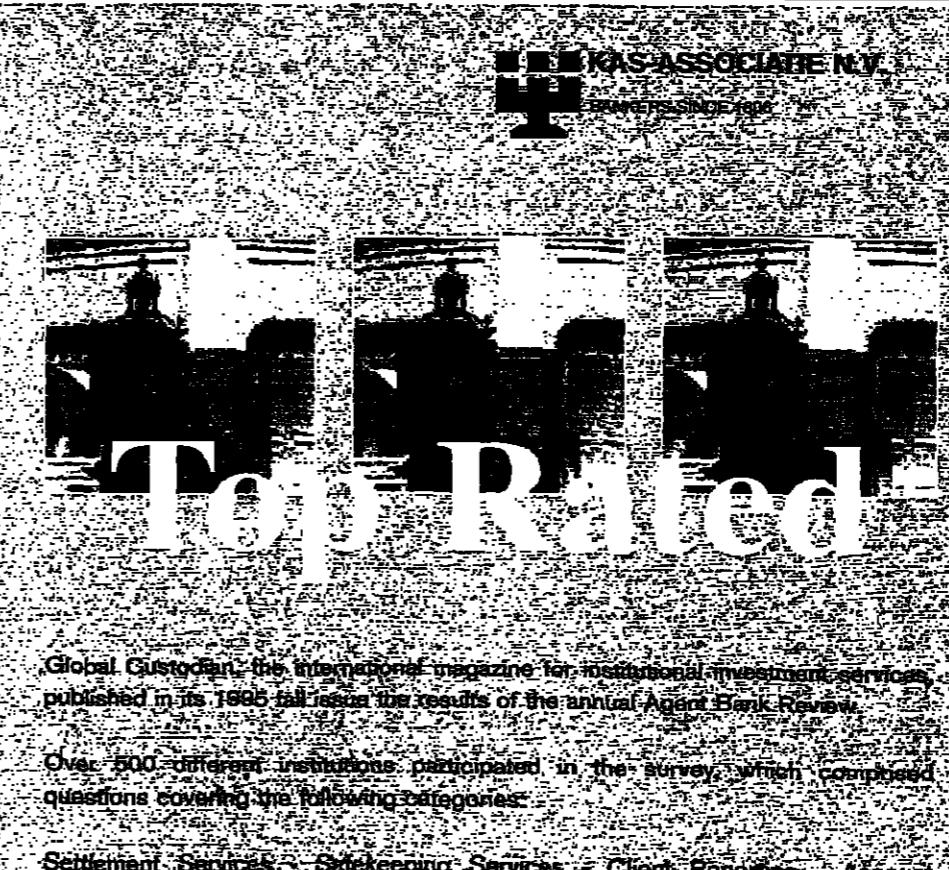
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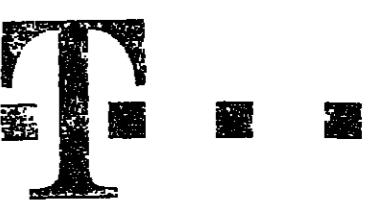
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NEWS: WORLD TRADE

US and Thailand to settle air row

By Ted Bardacke in Bangkok

The US and Thailand are to hold talks on settling their five-year-old aviation row and expect to sign a new bilateral aviation agreement soon.

Agreement would increase the number of passenger and cargo flights Thailand allows US airlines to fly into Bangkok. Passenger loads for US carriers have been limited to the levels of 1990, when Thailand cancelled a previous treaty. Applications for extra cargo capacity are considered on a case-by-case basis.

US transportation secretary Federico Peña, at the beginning of a 17-day trip through Asia, said informal discussions had resulted in progress on a framework for reaching an agreement. "We do not anticipate this to be a very long process," he said.

Mr Peña said he would also sign aviation agreements with Hong Kong, Macao and the Philippines during his trip.

The stalemate between Thailand and the US appears to have been broken by a softening of the US stance on fifth-freedom rights, which allow airlines to pick up passengers during a stop-over in a third country.

Thailand also cancelled fifth-freedom rights for US carriers in 1990, citing figures which showed that the majority of passengers flown into Bangkok by US carriers were from Asian countries.

As a result, US airlines often land in Bangkok with empty seats after letting off passengers in Tokyo although the Tokyo-Bangkok leg of the flight is deemed full and there is a waiting list for seats on that route.

The agreement will increase capacity and partially placate US carriers, who have recently scaled back operations in Thailand and dealt a blow to Thailand's stated objective of becoming a regional air hub. Last July, Delta pulled out of Thailand completely and United cancelled flights stopping in Taipei that same month.

US holds up ship subsidy accord

By Charles Batchelor, Transport Correspondent

The US yesterday emerged as the main stumbling block to the early phasing out of state aid to shipbuilders in a marked contrast to its earlier strong stand against government subsidy.

European Union industry ministers voted on Tuesday to delay ratification and implementation of an international accord reached last year to end subsidies until the other main signatories to the pact - the US, Japan and South Korea - had fulfilled their part of the bargain.

It now appears that while European countries have outstanding concerns about

alleged "dumping" of shipbuilding capacity by Japan and South Korea, the US was the main obstacle to putting the agreement into effect.

Subsidies were to have been phased out from January 1 under an agreement reached within the Organisation for Economic Co-operation and Development, but EU ministers have agreed to extend until October 1 a special regime allowing state hand-outs of up to 9 per cent of the value of a contract.

The delay in implementing the new agreement in the US is due to a backlog of legislation in Congress and a dispute between Republicans and Democrats over shipbuilding policy. The House Ways and Means

Committee is already considering urgent legislation on Medicare and the US budget and has no time to look at the issue of shipbuilding aid.

The issue of aid has also split the US shipbuilding industry with six of the largest yards which used to specialise in naval orders setting up their own breakaway organisation, the American Shipbuilders Association, which is opposed to the removal of subsidies.

The 14 smaller yards left in the Shipbuilders Council of America are continuing their support for the abolition of state aid. The OECD move to outlaw subsidies was very much the result of fierce US lobbying to give its own shipyards a fairer deal.

The delay in the US has prompted fears that some European countries will be tempted to increase subsidy levels to their own industries to a resumption of fierce price competition.

The two other countries which have been publicly blamed for delaying implementation of the OECD accord, Japan and South Korea, are closer to ratification. In South Korea the ratification document was submitted to parliament in September and is expected to be approved in December. Japan is in the middle of a busy legislative session but is expected to ratify by March.

The approaching deadline for the phasing out of state aid has led to an influx of orders to many European yards as shipowners attempt to reap the benefits of subsidy. But this has prompted concerns among northern European yards that state-owned shipbuilders in southern Europe are continuing to enjoy an unfair advantage.

WORLD TRADE NEWS DIGEST

Coface switches to securitisation

Coface, the French export credit agency, is to switch from relying on traditional bank loans to seeking "securitisation" funding in the financial markets as a means of obtaining cheaper export credit for Airbus purchasers.

The French finance ministry said yesterday it had asked Coface to switch to securitisation, in which investors would provide export credit in return for commercial paper backed by Coface, in order to match a similar facility offered by the US Eximbank to Boeing, the chief competitor to Airbus. The ministry estimates securitisation could lower Airbus export credit financing costs by 30 per cent compared to traditional export credits provided by banks and guaranteed by Coface. Of the two other national export credit agencies that back Airbus sales, the UK Export Credit and Guarantee Department has recently switched to securitisation, but Germany's Hermes agency still underwrites bank credits. *David Buchan, Paris*

Editorial Comment, Page 15

Baku preparing for second oil boom

Bruce Clark and Scheherazade Daneshkhah on the revival of Azerbaijan's economy

Mr Arne Hoffman, Lufthansa's man in Baku, has worked in easier places. The German carrier's maiden flight to the Caspian Sea city, six months ago, was inexplicably denied permission to land; and his first attempt to stake out a small corner of Baku airport was abruptly terminated by the police.

Life is still full of challenges. The airport, built under the Soviet regime which ruled Azerbaijan until 1991, offers virtually no handling services to foreign airlines, and one runway is sometimes waterlogged. But he hastens to insist: "We would not be flying here at all if we did not think it perfectly safe." And like most members of Baku's small but fast-growing western community, the young representative of Lufthansa feels that little local difficulties are well worth solving.

As energy from the Caspian transforms the region's economy, and the market reform that was pioneered in Russia spreads to other ex-Soviet republics, a city which had its first oil boom in the 1990s is now preparing for its second. Both Lufthansa and British Airways report steadily rising demand for their twice weekly flights to Baku, as oil personnel from the US, UK and Nor-

way start fulfilling the \$2bn drilling contract which a BP-led consortium signed last year.

In January, British Airways will be adding a third weekly flight to a destination that until a few years ago was only accessible via Moscow, by those who were prepared to put up with Soviet transport at its most rigorous.

The government of Azerbaijan, whose 7m people share a religion - Shia Islam - with Iran and a language with Turkey, expects to earn at least \$100bn from oil revenues over the next 30 years; and "new Azeris" - brash young entrepreneurs - are emerging to cash in on the bonanza.

Apart from oil people and local tycoons, many of the western airline's passengers will be hopeful representatives of the service industries which the energy boom will bring into being.

Mr Charlie Christmas, a 35-year-old Briton who came to Baku last year for a friend's wedding, has opened the city's first English pub. With the oil community set to rise tenfold next year, to about 5,000, it will not be the last.

Among hoteliers, Hyatt has led the way by transforming a handsome stone building in a modest quarter of the city into a five-star emporium, com-

plete with health club, swimming pool and casino.

The occupants of its 160 sumptuous rooms include bankers, geologists, pipeline builders, and diplomats courting the Azeri government: a bewitching spectacle for locals who remember a much older profession being practised on the premises.

The Hyatt, for example, found no shortage of bright young graduates of Baku's foreign language faculties who were happy with a starting salary of \$200 a month, more than five times the minimum wage.

A similar atmosphere of youth and ambition pervades the Improtex group, which includes the republic's only private airline and is a classic post-Soviet business story: it has progressed from trading (electronic goods from Dubai) and tourism (servicing western business travellers) to a growing retail network and some light manufacturing.

All this makes for peculiar contrasts in a run-down city whose 2m residents include hundreds of thousands of refugees from a war over the enclave of Nagorno-Karabakh which has left the Armenians

But the Marriott group is - in the words of Mr Nick Ward, a senior vice-president - "actively considering opportunities in Baku" - and at least two other chains are also understood to be interested.

All this makes for peculiar contrasts in a run-down city whose 2m residents include hundreds of thousands of refugees from a war over the enclave of Nagorno-Karabakh which has left the Armenians

in control of 20 per cent of the republic. Supplies of electricity and water to parts of the city are erratic, and the local telephone network - which the Russian energy concern Lukoil and the UK telecoms supplier GPT are working to upgrade - is still a hit-and-miss affair.

But as anyone who has done business in a post-Soviet environment will report, the desolation of a ruined planning system can provide fertile soil for a new economy to grow.

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Life is no picnic for that group either. Mr Jeyhoun Mammadibeyli, deputy director and recent recipient of an MBA from Trent Nottingham University in Britain, complains of a "lack of legislation, lack of investment and a lack of

infrastructure" in Azerbaijan.

As outsiders like Mr Hoffman and insiders like Mr Mammadibeyli will testify, it meets none of these conditions - but the boom will probably come anyway. In the words of Ms Jacqueline Schmid, recently arrived from Germany to manage Hyatt's public relations: "In a few years, you will not have to explain to anybody where Baku and Azerbaijan are."

Air traffic grows by 9%

Airline traffic grew 9 per cent in the first nine months of the year, against a total increase in capacity of 8.1 per cent, according to the International Air Transport Association.

The faster increase in traffic against capacity is welcome news for the aviation industry, as it indicates that airlines are adopting a cautious approach to introducing new aircraft. During previous recoveries, profits have been reduced by airlines buying new aircraft to accommodate the increase.

Mr Pierre Jeanniot, Iata director general, said last month that he expected airlines to make total net profits on their international scheduled routes of \$5.7bn this year. The airlines made a net profit of \$1.8bn last year after losing \$15.6bn in the previous four years.

Passenger traffic in the first nine months increased 8 per cent over 1994, while the supply of available seats went up 6 per cent, Iata said. Passenger load factor, or aircraft seat occupancy, was 70 per cent over the nine months, one percentage point higher than in 1994. Freight traffic increased by 11 per cent. *Michael Shapinkin, Aerospace Correspondent*

Howard Smith, the Australian diversified industrial group, said yesterday its Gonian engineering subsidiary had won a \$55m (41m) contract to provide 20 light rail vehicles to Hong Kong's Kowloon-Canton Railway Corporation, which is expanding its services.

Nikki Tait, Sydney

Can you simplify the global exchange of technology?

When Thailand legislated that industrial electricity users had to supply their own substations, the local economy didn't have the know-how. ABB reacted with a swift hands-on transfer of technology. A "Tiger Team" of technicians flew in from Scandinavia and Saudi Arabia, to share skills and experience with Thai engineers, and handled the first project for the Thai Plastic Company. Next, ABB started local assembly and manufacture of switchgear, creating a whole new local industry. The "Tiger Team" remains involved in information exchange, but now the students are teachers too.

As a leader in electrical engineering for the generation, transmission and distribution of power, and in industry and transportation, ABB is committed to industrial and ecological efficiency worldwide. We transfer know-how across borders with ease. But in each country, ABB operations are local and flexible.

That means we are close at hand to help our customers respond

Yes, you can. swiftly and surely to technological challenges which stretch the limits of the possible. Like promoting a local economy to the head of world class technology.

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Japanese trade surplus down 7.4%

By William Dawkins in Tokyo

Japan's current account surplus shrank 7.4 per cent in the six months to September, the fourth six-monthly decline in a row, the finance ministry announced yesterday.

The decrease to \$58.3bn was caused by a continued rise in imports, from both foreign suppliers and the growing number of Japanese companies abroad.

This is a mark of how the high yen and recession have started to alter the structure of

the formerly export-based domestic economy, economists in Tokyo said.

This would keep up the pressure on the yen to continue its post-August retreat against the US dollar.

Within the total, the surplus in September fell 10.3 per cent compared with the same month last year, to \$10.5bn and will continue to fall for at least the next few months, ministry officials predicted.

Over the six months, the trade surplus fell 3 per cent.

However, Japan's second

the

second six monthly decline in a row, to \$70.15bn.

Exports rose fast, by 14.9 per cent to a record \$219.5bn, but imports easily outstripped that growth, rising 25.8 per cent to \$149.12bn, also a record, the seventh consecutive half-yearly gain.

Japan's electronics industry, which is benefiting from a world expansion in demand for semiconductors, led the rise in exports, with an increase of 44 per cent.

Revealingly, imports of manufactured goods have risen to 58.1 per cent of the total, a change from Japan's former

largest export industry, cars, saw a 5.5 per cent fall in foreign sales, a consequence of increased production by Japanese factories in the US, an official said.

Car imports, by contrast, rose 47 per cent in the first half, exceeded only by office equipment (including computers) with 78.2 per cent growth.

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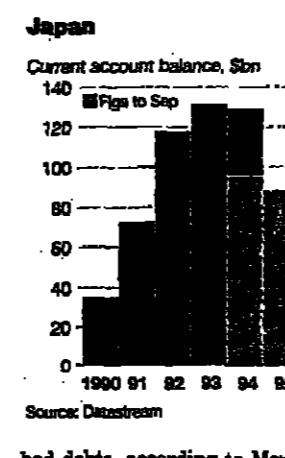
role as an importer of raw materials for transformation into export goods.

Japan's long-running deficit on the services account expanded by 35.8 per cent to \$8.26bn in the first six months, led by a growth in foreign travel.

But in September alone, the

long-term capital account swung into a surplus of \$800m, the first surplus since March.

Net capital outflow fell as Japanese banks sold foreign bonds to raise cash to write off



bad debts, according to Merrill Lynch in Tokyo.

ASIA-PACIFIC NEWS DIGEST

Hanoi warned over reforms

The World Bank has praised Vietnam's success in achieving sustained economic growth and curbing inflation in the past year but has warned that further growth and the success of economic reforms depend on Hanoi speeding private-sector development. "Despite the success of state enterprise-led industrialisation since 1991, a strategy based on developing large, capital-intensive state enterprises, protected from foreign and domestic private competition and concentrated in selected 'strategic' sectors, would not deliver the industrialisation Vietnam needs," it said in a report which was ready last month but made public only yesterday.

Vietnam officially abandoned its command-style economy in 1986 and has seen an average 8 per cent GDP growth since reforms, known as *doi moi*, started to bite in 1989. In spite of a programme of state enterprise reform that has slashed loss-making entities from 12,500 to 6,000 since 1990, Vietnam's private sector is still small and faces discrimination from the government, mainly in terms of access to credit.

Foreign economists say Vietnam's Marxist-educated leadership is still uncomfortable with the idea of a flourishing private sector for ideological reasons. Prime Minister Vo Van Kiet told last month's session of the National Assembly that the state sector had "not dominated the country's economy as we expected". The report noted: "The debate on whether there should be an environment that encourages and sustains the private sector... or that keeps it more tightly under government control is not yet resolved." Jeremy Grau, Hanoi

Korea remark prompts apology

A Japanese cabinet minister apologised yesterday for saying Japan did "good things" during its colonial rule over Korea. Mr Takanori Eto (pictured left), head of the Management and Co-ordination Agency, said he withdrew the remarks and regretted them. His apology came a month after Prime Minister Tomiichi Murayama was forced to back down on positive comments he made about Japan's 1910-45 colonial rule over then undivided Korea. "I withdraw my statement," Mr Eto, a veteran member of the conservative Liberal Democratic party, said. "I regret it caused a misunderstanding." Mr Eto had told reporters: "It [Japan] erected schools and universities and substantially raised the level of education. I laid 5,000km of railroads, conducted irrigation, improved port facilities and planted trees in the hills." Reuter, Tokyo

Japanese pay bonuses boosted

Japan's leading electronics companies plan to increase workers' bonuses for the second year running, a small dose of good news for depressed consumer confidence. The six leading Tokyo-based groups have offered a 1.8 per cent rise, well above inflation, in winter bonuses, according to union officials: the rise among Osaka companies averages 1.3 per cent. Electronics companies' pay has set the trend for other industrial sectors. Typically, bonuses account for 30 per cent of total pay, with 10 per cent from overtime and the rest from basic salary. Overall, pay is expected to rise this year at about the same level as last, 2.2 per cent, advancing to 2.5 per cent next year, Mr Russell Jones, economist at Lehman Brothers in Tokyo, said.

William Dawkins, Tokyo

Kizu Shinya Kumai, the defunct credit union from which Y100m (\$860,000) in Bank of Japan special loans has disappeared, will use voluntary contributions from its employees to make up the missing sum, it said yesterday. Japanese financial regulators have been embarrassed by the disclosure of the disappearance of the Y100m from Kizu. The Bank of Japan extended Y36bn to Kizu after a run on the credit union at the end of August. Mr Tetsuji Hasemura, Kizu president, said he would give up all his salary for five months; five senior board members have been asked to contribute 40 per cent of their salary. Some 600 clerks have been asked to give 10 per cent.

Emiko Terazono, Tokyo

China's industry output up 13%

China's industrial output grew by 12.9 per cent in October compared with the same month last year. This was in line with government expectations. Figures published by the State Statistical Bureau showed there had been some pick-up in activity between September and October, reflecting an easing of credit restrictions. But the outlook remained difficult for heavily indebted state-owned companies, whose output grew by 6.4 per cent in the 10 months to October, well below the overall increase. The state sector continues to be burdened by problems of triangular debt in which enterprises are unable to pay each other for goods and services, and by a buildup of inventories.

Tony Walker, Beijing

Victoria to privatise port

The Victorian state government yesterday announced it was to put the Port of Portland up for sale. It was calling for expressions of interest in the port assets, which include its wharves and land, by November 17, and hoped to proceed with a sale next in the new year. The facility is one of three regional cargo ports the state government is keen to sell, the others being at Hastings and Geelong.

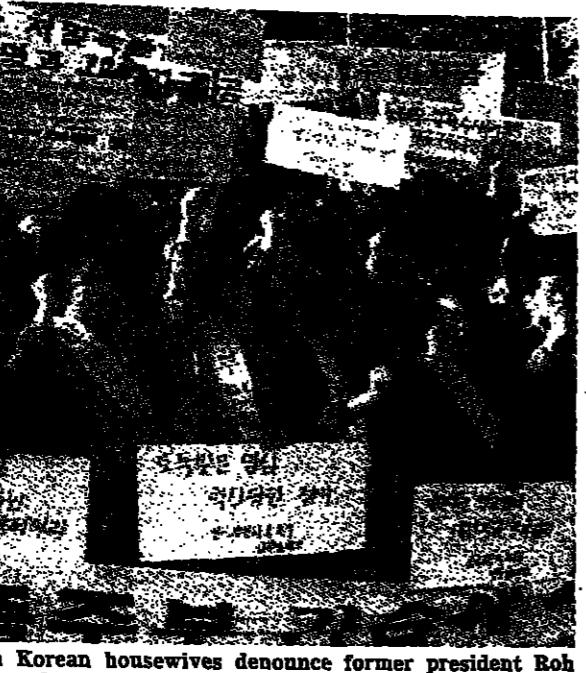
The Portland facilities take in five "common-user" berths, and one for the Portland Aluminium smelter. The main items passing through the port are aluminium and aluminium ingots, grain, fertiliser products and woodchips. Under the proposed sale, the government would retain ownership of underwater assets, Victoria, trying to reduce a A\$60m (\$62.3m) debt burden, has been to the fore of Australia's privatisation trend, pursuing sales more quickly and widely than any other state.

Nikki Tait, Sydney

Timorese get Portuguese asylum

Eight East Timorese who entered the Dutch embassy in Jakarta on Tuesday requesting political asylum have been granted asylum in Portugal. The East Timorese told the Dutch embassy they were on the run from the Indonesian military, which invaded East Timor in 1975 after the territory was abandoned by Portugal.

Manuela Saragosa, Jakarta



South Korean housewives denounce former president Roh Tae-woo, demanding his arrest over a \$650m slush fund

Opposition sees a distraction from its claims against President Kim

Korean fund probe 'a formality'

By John Burton in Seoul

South Korean opposition parties yesterday said the investigation of alleged contributions by business leaders to former President Roh Tae-woo's \$650m (\$410m) slush fund appeared to be a "formality".

The National Congress for New Politics (NCNP), the country's largest opposition party, claimed the questioning of leading businessmen by prosecutors was meant to distract public attention from allegations that President Kim Young-sam used money from Mr Roh's slush fund to finance his 1992 election campaign.

President Kim has denied personally receiving funds

from Mr Roh, but has so far refused to disclose the sources of his campaign finances.

The Democratic Party, another opposition group, urged the prosecution to investigate the business leaders thoroughly to determine if their political contributions to Mr Roh amounted to payments for government contracts.

The prosecution has said the business executives being summoned are "material witnesses".

Mr Park Kye-dong, an opposition MP who has played a crucial role in exposing the slush fund, accused the government of trying to limit the investigation on the pretext that it would harm the national economy.

The chairman of Samsung, LG, Dong-a and Hanul groups were questioned yesterday about the size of their donations to Mr Roh and in what circumstances the money was given.

Mr Lee Kun-hee, Samsung chairman, was asked about government contracts for the F-16 combat aircraft programme and nuclear plant construction and official approval of Samsung's entry into the industry.

Other businessmen expected to be called include the current or former chairman of Hyundai Daewoo, Ssangyong, Lotte, Hyosung, Kolon, Doosan, Haitai and Kohat groups, which are among the country's leading conglomerates.

The prosecution said it will question about 50 senior business leaders by the end of next week, but this has prompted criticism that the rapid pace of the interrogations may produce few results.

Businessmen found to have made contributions to Mr Roh may be liable to tax penalties, but the National Tax Administration yesterday said it would not conduct tax audits on their companies until next year to avoid creating problems for the economy.

The investigation of the slush fund has come at a critical time for the conglomerates, which are drawing up investment plans for 1996 and trying to increase exports to meet this year's targets.

Sri Lanka's budget hit by defence spending rise

By Mark Nicholson in Colombo

The Sri Lankan government's fiscal performance has been thrown off kilter by a 38 per cent rise in its defence budget over the year and the prospect of high military costs next year. This is the result of the government's intensified assault on the Tamil Tiger stronghold of Jaffna. Mr G. Peiris, deputy finance minister, admitted in his annual budget speech yesterday.

Mr Peiris said defence spending, combined with unexpectedly high costs of a government wheat subsidy and attendant rising debt service

Government budget outlook (as % of GDP)

Budget Items	1995	1996	1997	1998
Total Revenues	20.5	19.1	18.5	20.6
Total Expenditure, plus net lending	29.8	26.9	26.1	25.7
Current account surplus/deficit	+1.7	-2.8	+0.6	+3.0
Budget deficit (before grants/assistance)	-9.3	-7.8	-6.6	-5.1

costs, would push the budget deficit well above this year's target of 7.5 per cent of GDP to 9.3 per cent for 1996.

He set a 1996 budget deficit target of 7.8 per cent of GDP, a

1995 to Rs22bn, with spending due to rise by a further 18 per cent to Rs38bn next year, he told parliament, meant "it is not realistic to pursue the original fiscal adjustment path".

"No scope" existed for stronger revenue measures or deeper expenditure cuts "at a time of national emergency".

The budget offered only modest solace for Sri Lanka's depressed business and stock market, though Mr Peiris described growth this year of 5.5 per cent as "creditable" in the circumstances and said this should rise to 6 per cent in 1998.

As a fillip to slackening consumer spending, he raised personal tax thresholds and widened tax bands.

In an attempt to revive dwindling inflows of foreign direct investment, which last year dipped to Rs6bn from Rs12bn in 1994, the minister also announced new tax holidays for investments in export industries bringing "advanced technology" and for those in "large-scale development projects" exceeding Rs500m.

Mr Peiris said total government revenues next year would reach Rs185.9bn, against expenditures of Rs273.4bn. But while announcing spending cuts of Rs4.9bn, the figures rest

most heavily on government hopes of gleaning Rs2bn from "public-sector reforms", a code for the sale of state assets.

Sri Lanka's stock market, along with both foreign and domestic advocates of reform, will welcome accelerated privatisation. But the government's revenue figure appears optimistic in the light of this year's performance.

The government has raised only Rs2.5bn of an initial target of Rs13bn, a failure Mr Peiris blamed on complex restructuring problems, the need to consult with trade unions and the stock market's year-long decline.

William Dawkins, Tokyo

Palawan, Philippines' final frontier, fights to cement its green credentials

The local authorities have enacted some of Asia's strictest environmental laws, writes Edward Luce

illegal logging and prohibited commercial fishing within 15km of the island.

In addition a ban was imposed on the export of all wildlife dealing a blow to the Philippine tropical fish and mynah bird export industry.

"For the first time it would be seen that the authorities are serious about preserving Palawan's environment," said Attorney Lito Alusug, director of Haribon, a leading environmental group. "The next challenge is to make this policy profitable."

According to Mr Hagedorn, who has won national awards for his "Clean Up Puerto Prin-

cesa" campaign - which includes a 200 peso (\$8) fine for dropping a cigarette or other litter - the best hope of achieving sustainable development is through eco-tourism.

With over 300km of pristine beaches and 54 per cent virgin rainforest cover, Palawan is viewed as a potential Bali or Phuket (south east Asian holiday resorts). The island is also home to dozens of unique species. A growing queue of interested foreign resort chains, however, face a challenge in persuading the Palawan sustainable development council of their green intentions.

"We are very aware of the dangers which mass tourism bring," said Mr Socrates.

"We do not want our island to turn into the usual south east Asian resort with brothels, gambling, drugs and the rest. Our policy is to attract 'low volume, high value' tourists interested in the environment," he said.

Several groups, including the Soriano Corporation, owner of San Miguel, the Philippine brewery company, have set up luxury ecological resorts for divers and trekkers. The Soriano's El Nido resort on the north of the island is considered the highest quality retreat in the country. The group has

becoming the country's first provincial leader to request the national commission on audit to review the city books, says his main priority is to clean up the police force. The mayor has also attracted national comment for his refusal to be flanked by a private army of heavily armed "goons" - de rigueur among most provincial leaders.

According to Mr Hagedorn, who is viewed as a Singaporean-style politician for his tireless promotion of public hygiene and civic morality, the eradication of police corruption is pivotal to the campaign to stamp out the plunder of the environment.

Mr Hagedorn, who won the distinction earlier this year of

Exporters estimate that up to 30 per cent of the country's coconut crop, which was the Philippines' largest commodity export last year, was destroyed in the storm. More than 600,000 coconut trees were uprooted in one province alone last weekend.

Rice prices, which doubled this summer after a poor second-quarter harvest, are expected to increase owing to damage on Luzon, the country's main rice-producing area. The government, which was forced to import 245,000 tonnes of rice from India and Vietnam in an attempt to damp inflation, will almost certainly have to import more foreign rice to cover the expected shortfall, officials said.

Economists said the typhoon, which has claimed 800 lives and left about 200,000 people homeless, had probably put paid to the government's target of reaching 6.5 per cent gross national product growth this year.

Continuing power shortages in parts of the country and the closure of several arterial roads on Luzon, the Philippines' main island, had damaged industrial production, analysts said. Economic growth, which was 5.2 per cent in the first half of the year, is expected to remain flat for the next few months.

NEWS: UK

Bank of England warns of inflation target danger

By Robert Chote,
Economics Editor

The Bank of England yesterday revised down its forecast for price increases over the next two years, but warned that the government was still more likely to miss its inflation target than hit it without another rise in interest rates.

Achieving the inflation target in two years' time is by no means assured," the Bank said in its latest quarterly *Inflation Report*. But it said the outlook had become much less certain since its last report in August.

The tone indicates that Mr Eddie George, the governor of the Bank, has continued to advocate a "wait and see" policy on interest rates, having retracted his demand for an increase over the summer as economic growth slowed.

The Bank said the recent slowing in the pace of growth might continue if companies met demand by using unsold goods rather than new production. Growth should pick up over the next two years.

The Bank predicted that underlying inflation - excluding mortgage interest payments - would peak at about

3½ per cent early next year, before falling to a little over 2½ per cent at the beginning of 1997 and remaining there through the year. The government's target is for underlying inflation of 2½ per cent or below from the spring of 1997.

The report said it was just as likely that inflation would undershoot the Bank's forecast as overshoot it. The Bank's previous report said there was more risk on the upside than the downside. The upward spike in the inflation rate in 1996 reflects a rise in import prices triggered by sterling's weakness early this year.

Mr Paul Mortimer-Lee, who was in charge of the Bank's inflation forecast before joining Paribas Capital Markets earlier this year, said the flat profile for inflation in 1997 looked rather implausible.

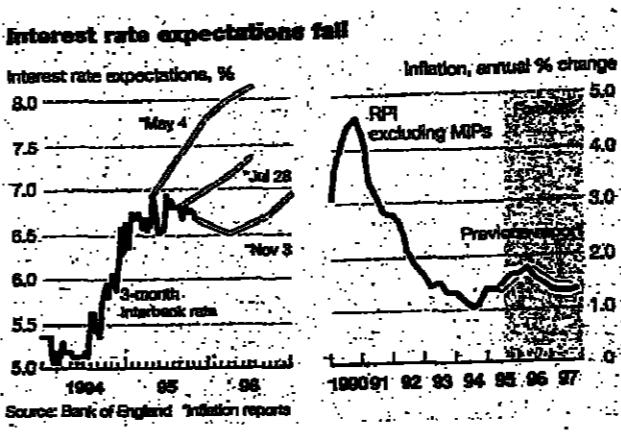
"They are clearing the decks for a rate cut," Mr Mortimer-Lee said. "The door is not open yet, but it has been unlocked. They are just waiting for the Budget."

The futures market concluded that a post-Budget cut was now more likely. The short-term contract predicts a base rate of 6.37 per cent next March, compared with

the current 6.75 per cent. Mr Mervyn King, the Bank's chief economist, said the content of the Budget would be taken into account in framing advice on base rates. "What concerns us most is the medium to long-term stance of fiscal policy," he said.

National output is growing at or just below its long-run trend rate, but the Bank believes that unemployment has not yet fallen to the point at which it will put serious upward pressure on earnings increases and inflation.

Editorial Comment, Page 15



Consultants
win more
income
overseas

By Andrew Taylor,
Construction Correspondent

British consultants generated £1.6bn (\$2.51bn) of overseas income last year - almost 7 per cent more than the £1.5bn earned in 1993, according to a survey published yesterday.

The study by the British Consultants Bureau reported that for every £1 of international work awarded to consultants, a further £10 was won by other British companies in follow-up orders for construction, materials, operating and service contracts.

It added: "The ratchet effect meant that Britain won at least a further £1.6bn of export orders in 1994 as a result of the endeavours of consultants."

The survey showed that British firms had worked in all but five countries last year. The biggest demand for British consultants had come from Russia, Hong Kong and China.

Nearly half of all the fee income had been earned in the Asia Pacific region, with a further 22 per cent coming from the Middle East and North Africa.

Engineering consultants had made an important breakthrough in Korea, a market which had been "effectively closed to foreign consultants and contractors."

Rendall, Palmer and Tritton had won a £1m contract to advise on the reconstruction of the Songsu Bridge in Seoul which collapsed last year with the loss of 32 lives. Mott MacDonald was advising on the construction of a another new bridge across the River Han in Seoul.

According to the survey, the areas of international work in most demand from British consultants were project management, followed by environmental impact studies, drainage and sewerage projects, economic studies and work for tourism and leisure projects.

Mr Colin Adams, Director of the BCB, said that the figures showed Britain's consultants are continuing to be very successful in winning assignments throughout the world, despite ever-increasing competition.

"A striking example is that of the European Bank for Reconstruction and Development, where 42 per cent of all consultancy contracts are awarded to British consultancy firms."

Container port plan may be scuppered

By Ian Hamilton Fazey and Stewart Dailey

Plans by the Edinburgh-based Forth Ports to build a £20m (£31.4m) floating stage at Birkenhead, near Liverpool, are likely to be sunk this afternoon. The stage would have started a fierce battle with Mersey Docks and Harbour Company for a share of a growing Irish Sea trade in container freight.

The proposal, which is allied to a dockside science park, office and student residential development at Twelve Quays on the Wirral's Mersey waterfront, needs about £5m of subsidy from the EU.

However, Mersey Docks has already started work on a rival £16m scheme on the Liverpool side of the river and announced in July that it was not seeking a subsidy from public funds. This forced a technical committee of public and private sector representatives - which advises how Merseyside's £630m of special EU funding should be spent - to order a study of markets to see if there was room for both.

The result will be presented to the technical committee today and is understood to say that the market can support only one floating stage for roll-on/roll-off freight in the Mersey at present. Since EU money cannot be used to subsidise redundant capacity - and the ports of Holyhead, Stranraer, Heysham and Fleetwood are also competitors - the committee is likely to have no option but to reject Forth Ports' proposal.

Eurotunnel advised to undercut ferry operators

By William Lewis

Eurotunnel, the Anglo-French operator of the Channel Tunnel, would increase its profitability by cutting prices below the ferry operators, says an academic report.

In response, the ferry companies would "find it hard to offer prices which can compete and still cover their overhead costs", it says.

Eurotunnel will today announce details of its new price brochure, to start in January, which is thought to contain a wider range of fare categories and some incentives to boost winter traffic.

A more sophisticated pricing structure is part of Eurotunnel's attempt to step up the war with the ferry companies on the cross-Channel route and force them to reduce capacity.

The intense competition on the cross-Channel market has

contributed to Eurotunnel's deepening financial crisis, which led it to suspend interest payments on £260m (£31.5bn) of debt.

Such a strategy would also be in line with the recommendations of the study, carried out by Mr Stefan Szymanski, a senior lecturer at Imperial College Management School. His report, *Rational Pricing Strategies in the Cross-Channel Market*, will be published this month in *Transport Policy*, an academic journal.

Using published data from Eurotunnel and the ferry companies, Mr Szymanski concludes that, from January 1994 Eurotunnel's pricing strategy has been to charge a premium of about 20 per cent for a weighted average standard return fare across the Channel.

Mr Szymanski, who has

worked as a consultant to Eurotunnel, says that the basis for this premium has been the Channel tunnel operator's conviction that its service is more attractive than the ferries. This means that if Eurotunnel and the ferry operators charged the same price, the tunnel operator would have a dominant market share.

The study concludes that, as is likely, Eurotunnel is a relatively unattractive service, "rational" pricing means charging lower prices than those already announced".

It says that "the reason in general Eurotunnel can generate higher profits by setting low prices is that by doing so it can utilise its enormous capacity". The less attractive Eurotunnel is in relation to the ferries, the more it must cut its prices in order to utilise its capacity as well as its low operating costs.

By Michael Skapinker,
Aerospace Correspondent

If London's Heathrow Airport fails to get a fifth terminal, air travel in the south-east will be so congested by 2010 that about 30m passengers will be forced to fly from other locations, Sir Colin Marshall, the chairman of British Airways, said yesterday.

Sir Colin said yesterday that the introduction of bigger aircraft meant that the additional passengers could be carried with only a small increase in flight numbers.

He said there would be no need for an increase in night flights for a third runway at Heathrow.

Sir Colin told the Terminal Five public inquiry that BA would have to try to establish a second base in continental Europe if Heathrow was refused permission to expand. This would be difficult as the biggest Continental airports were already dominated by European carriers.

The public inquiry, which is chaired by Mr Roy Vandervest QC, started hearing evidence in May on proposals by RAA, the airports group which owns Heathrow, for building the new terminal.

BAA says Terminal Five would increase Heathrow's capacity from 50m passengers a year to 80m.

Opponents of the terminal, who include environmentalists and local authorities, say increased noise and traffic would blight the lives of surrounding communities.

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While BA would expand its operations at Gatwick, that airport could never be as important as Heathrow because it was too far from the main markets in south-east England, he said.

This was even more true of Stansted, RAA's third London airport, he argued.

Car parts sector aims to close gap with Japan

By John Griffiths

The second stage of a joint government-industry initiative to close the yawning quality and productivity gap between the UK's £15bn (£23.5bn) annual turnover car components industry and its Japanese counterpart was launched yesterday by Mr Tim Eggar, industry minister.

The move is aimed at helping companies improve strategic planning, product development, manufacturing processes, problem solving and the performance of their own suppliers. Key elements include:

• The Department of Trade and

Industry opening a sponsorship office based in Birmingham to provide aid and advice to component companies nationally.

• The DTI providing "pump-priming" funds of undisclosed size to support "focus groups" of supplier companies representing a complete supply chain - from raw materials to finished components - which will identify cost savings and other improvements to the supply chain.

• The Society of Motor Manufacturers and Traders, the government's partner in the initiative, recruiting expert automotive engineers from around the world to train their British

counterparts in best-practice techniques.

The initiative follows a two-year DTI-backed project, "Learning from Japan", in which the managers and shop floor employees of a dozen smaller UK components companies spent time with Japanese suppliers in order to improve productivity and quality procedures.

The project took place against the background of benchmarking exercises undertaken jointly by consultants Andersen Consulting, Cambridge University and Cardiff Business School's Lean Enterprise Centre, which found that UK suppli-

ers on average operated at quality levels 100 times worse than best-practice Japanese plants.

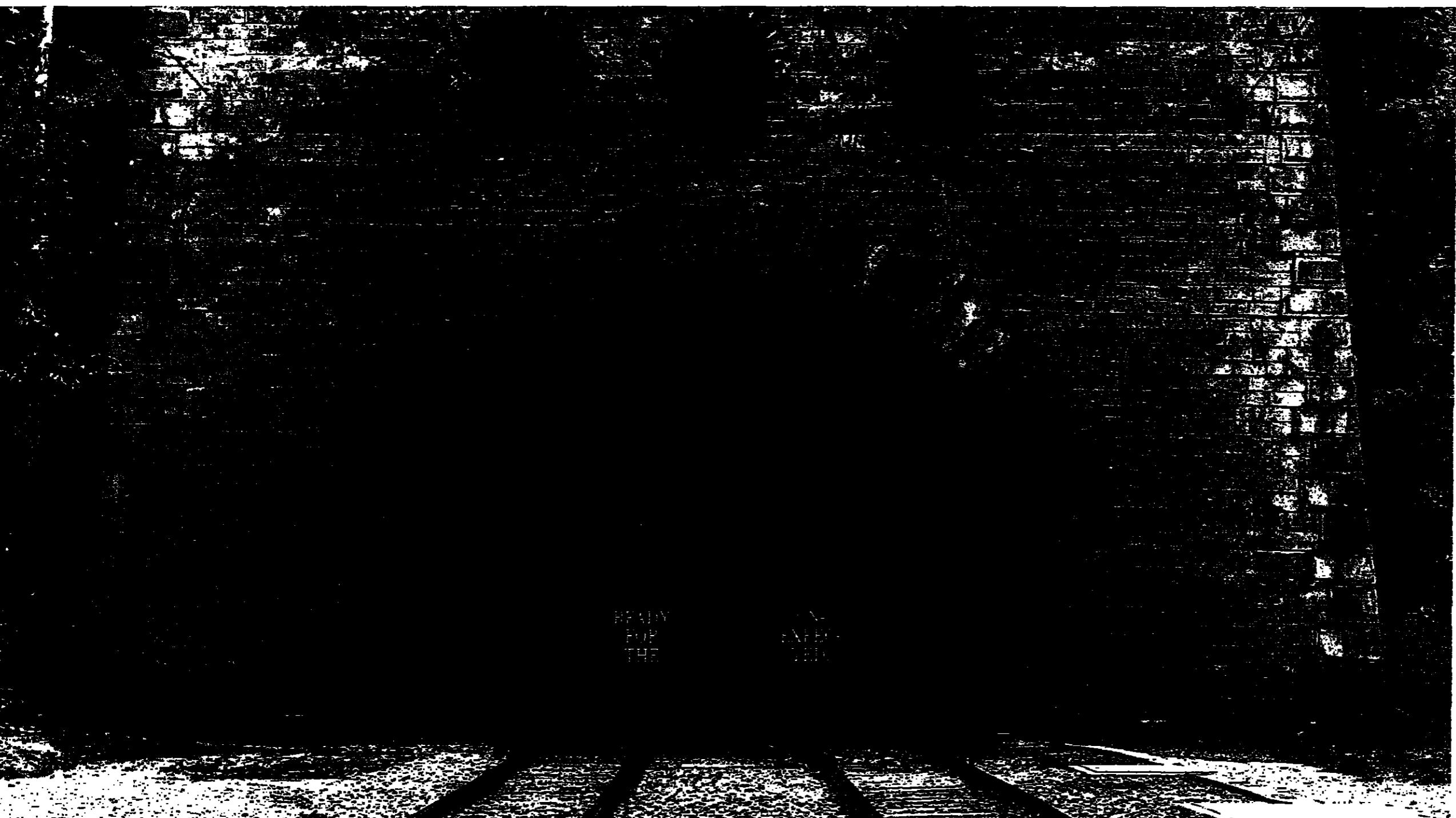
Mr Ian Gibson, chief executive of Nissan's UK "transplant" operations at Sunderland, Tyne and Wear, told an industry forum opening the initiative that smaller, so-called second and third-tier suppliers - those supplying big components groups such as Lucas Industries rather than vehicle makers directly - were prime targets.

Mr Gibson has already taken issue with some conclusions of previous benchmarking exercises. He insists that the best first tier - or direct -

UK component suppliers to Nissan have already moved much closer to Japanese quality and productivity standards than the benchmarking may indicate.

There is considerable concern among vehicle makers, however, that a swathe of smaller suppliers is falling increasingly behind the quality and productivity standards needed to assure them a future.

The first phase of the initiative was launched in April last year, mainly involving self-assessment exercises for components companies. Since its launch nearly 700 companies have volunteered to join the programme.



Economic liberalisation carries obvious rewards. And less obvious risks. Unfamiliar freight problems may be the least of your headaches. Import regu-

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cal, legal, economic and technical norms, as well as customs and traditions. Above all, we are experts in large-scale multinational risk management solutions.

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NEWS: UK

Governments closer over Irish arms

By John Murray Brown in Belfast and John Kampfner in London

The prospect of a breakthrough in the stalled Northern Ireland peace process appeared to increase yesterday as the Irish and British governments indicated differences over a proposed arms commission had narrowed.

Mr John Bruton, Irish prime minister, is understood to have proposed in a leaked letter to Mr John Major that their postponed summit be reconvened in two weeks.

It will then precede Presi-

dent Bill Clinton's visit to London, Belfast and Dublin at the end of the month.

The summit, originally planned for early September, was postponed by the Irish after Sinn Féin threatened that the creation of any body designed to secure the IRA's "surrender" would jeopardise the ceasefire.

In the following weeks UK officials reported slow progress with their Irish counterparts as both sides sought a new choice of words.

"What we're doing is trying to reformulate the wording of the commission's remit to

make it vague enough for it to be acceptable to everyone. It's extremely hard going," an official said.

But Mr Bruton's message to Mr Major, sent shortly before the two met in Jerusalem at the funeral of Mr Yitzhak Rabin, the assassinated Israeli prime minister, was warmly welcomed by British ministers.

Mr Bruton said the two leaders should use their summit to announce a target date for all-party talks.

In an intriguing concession, he said such talks might be delayed for six weeks after the proposed arms body, to be

headed by Mr George Mitchell, a Clinton aide, starts its deliberations. Such a "quarantine period" would give the British and the Ulster Unionists time to assess Sinn Féin's sincerity in working with the commission.

Both governments have said they are committed to the "twin track" concept - the establishment of a commission roughly coinciding with the start of substantive talks with the Northern Irish parties, to prepare the ground for all-party negotiations.

Contacts between Mr Bruton and Mr Major are expected to be stepped up in coming days with a series of telephone calls.

The British-Irish liaison group met in London yesterday, with Irish officials suggesting the differences were due to language rather than strategy. But nationalist concern at the lack of progress was underlined in separate press conferences yesterday by the Social Democratic and Labour party and Sinn Féin.

Mr John Hume, the SDLP leader, called on the governments to announce the start of all-party talks "no later than" November 30 - the day Mr Clinton is in Belfast.

UK NEWS DIGEST

Delay to new governance committee

Formation of the successor to the Cadbury committee, to examine corporate governance in the UK, has been further delayed because of difficulties in recruiting members and debate over its remit.

An official announcement is now not expected until next month and the committee will not begin its two-year study, expected to be limited largely to reviewing the first committee's work, until January.

Discussions about the committee's remit and membership, led by Sir Sidney Lipworth, chairman of the Financial Reporting Council - the standard-setting body for the accountancy profession - are being conducted under conditions of strict secrecy.

Advisors to the council, which is co-ordinating formation of the committee, say that persuading a business leader to chair the committee has proved "very tricky" following the problems experienced by Sir Richard Greenbury, chairman of Marks and Spencer, while chairing the Greenbury committee's investigation into executive pay. Two individuals have already turned down the chairmanship of the successor to Cadbury, and a "leading industrialist" is still considering whether to take up the post.

William Lewis

Accountancy regulation model welcomed

Britain's second biggest accountancy body yesterday welcomed the model for professional regulation put forward by the Common's Treasury and civil service committee in its report on financial services.

The ACCA, the body for certified accountants, said it supported statutory regulation with the involvement of practising accountants. The ACCA has suggested an independent supervisory body as a model for the profession. The Institute of Chartered Accountants in England and Wales, the leading regulator, is continuing to develop its plan for a Public Oversight Body for the profession.

Jim Kelly, Accountancy Correspondent

Pay dents nurses' morale

Nearly two-thirds of nurses have considered leaving the National Health Service in the past year, according to a survey which will be presented today to the independent body that sets national levels of pay for nurses.

The survey was commissioned by Unison, the public services union, which will urge the pay review body to recommend a national award of at least 8 per cent next year.

Dissatisfaction over pay was one of several reasons given by nurses for falling morale.

Unison, which represents about 240,000 nurses, said its survey showed a steep increase in the numbers considering leaving nursing - up to 62 per cent compared with 48 per cent in 1993 and 59 per cent in 1994.

Lisa Wood

Travel trade cuts flights

Up to 50,000 tourists could face changes to their holiday plans next summer, as the travel trade cuts flights and accommodation to avoid being left with unsold holidays.

Thomson, the biggest holiday company, confirmed yesterday that with bookings running about 25 per cent below last year, and with little prospect of recovery before Christmas, it was reducing capacity for next year. Changes to flights and hotels could mean disruption for up to 50,000 people who have already booked holidays, but Thomson promised to compensate those affected.

With other operators which announced capacity reductions of between 8 per cent and 15 per cent in September, Thomson had already planned to offer fewer holidays next summer after it had to sell 20 per cent of its holidays at late discount prices this year.

Neil Buckley

Plan 'may worsen racism'

Non-whites who apply for social security benefits are subject to widespread racism that will get worse under proposed changes to the immigration laws, according to a new report.

The study, released today by the TUC, says that blacks and other ethnic groups are subject to "both operational and structural racism" in the benefits system. It says that income support claims take longer to process than for whites and those applying are required to supply more supporting evidence.

It warns that new training for social security officials to identify illegal immigrants, recommended by Mr Michael Howard, the home secretary, as part of immigration reform, would exacerbate racism.

Mark Suckerman

Visitor numbers increase

The number of visitors to the UK has more than doubled in the past 20 years to 21m visits last year. However, the increase in Britons going abroad has been even more rapid, it trebled to just under 40m trips last year from 12m in 1976. This has led to a growing deficit on travel in the balance of payments of \$4.4bn at the end of last year.

The majority - 69 per cent - of Britons go abroad on holiday. Only 14 per cent of visits were for business. But 43 per cent of overseas visitors' trips to Britain last year were for a holiday and 24 per cent for business.

According to *Travel Trends*, a new publication from the Central Statistical Office, British women going abroad spent less than men but tended to stay a day longer. Only women under the age of 24 spent more than men abroad.

The most popular destination for Britons was France but they stayed longer and spent more in Spain, the second most popular destination. Visitors from the US were the largest group to Britain last year accounting for more than 15 per cent of visits. The most popular holiday destination for visitors to Britain was London and the least popular, the Isle of Wight.

Scheherazade Daneshku

Tories suffer further blow to bruised morale

By Kevin Brown and John Kampfner

Prime Minister John Major's hopes of a recovery in the government's standing in the wake of the Conservative conference were blunted yesterday by the resignation of the Tories' head of communications after a row with the party chairman.

The impression of renewed turmoil was also deepened by a leaked letter from Mr Peter Lilley, social security secretary, warning that proposed cuts in departmental running costs would have a "devastating" impact on the benefits system. In unusually robust comments on the public spending round, Mr Lilley told Mr William Walgrave, chief secretary to the Treasury, that proposed cuts in the department's \$2bn (\$6.28bn) running costs "fill me with despair".

Mr Lilley's letter, leaked to Mr Chris Smith, shadow social security secretary, reflects the ferocity of cabinet debate over spending cuts as Mr Kenneth Clarke, the chancellor, tries to find room for Budget tax cuts.

The government has suffered two devastating blows this week. On Monday, MPs voted - against Mr Major's advice - for full disclosure of private

income. On Tuesday, the court of appeal freed four business men convicted of shipping arms to Iraq because documents were withheld from their trial at the request of ministers.

Party morale, already dented by opinion polls showing Labour nearly 40 percentage points ahead, will be seriously damaged by the resignation of Mr Hugh Colver, head of communications at Conservative central office.

He is understood to have decided to go after demands for a more aggressive approach from Mr Brian Mawhinney, who has carried out a far-reaching reorganisation of Central Office since becoming party chairman in July.

"He clearly feels his talents, considerable though they are, are not best suited for handling the run-up to the general election. I disagree, and I told him that was my view, but he made his decision and I respect it," Mr Mawhinney said.

Mr Colver, a top public relations professional with high level experience at British Aerospace, the Ministry of Defence and Downing Street, was appointed only six months ago as part of a determined attempt to bolster the party's presentation.

Such a card is currently out of the question, since each government department uses its own computer systems.

There are 150 government departments and agencies whose IT systems have been developed at different times, often using incompatible hardware and software.

"I do not think we will see

THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge, particularly in the fields of industrial policy, third world development and the environment.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break.

In this, the fifth year of the prize, the Trustees are inviting applicants to write A Letter from a European City focusing on a feature which enriches people's lives and explaining how it might be transferable to other European cities.

The 1996 prize will be worth not less than £3,000.

Applicants, aged over 25, of any nationality, should submit their Letter of up to 800 words in English, together with a brief c.v. and a proposal outlining how the award would be used to explore the theme of the Letter further. Please keep David Thomas's interests in mind when writing both the Letter and the proposal.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

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Comedy enters a whole new dimension

Film directors are doormen between reality and illusion. Their job is to help people in and out of vehicles, to make sure the swing doors are working, and to shoot away tramps, idlers and impostors. Most importantly they must never fall asleep on the job, literally or metaphorically. If they do - well, we see what happens in Tom DiCillo's wonderful *Living In Oblivion*, a comedy about movie-making.

Actually, it is the comedy about movie-making, at least for our disoriented, flaky nineties. The film began as a short but grew in length as DiCillo (who made the limpidly offbeat Brad Pitt film *Johnny Suede*) found the gags, conceits and lunatic resonances about cinema multiplying.

The cast multiplied too: from the psychobabbling young director (Steve Buscemi) - "It's all there," he tells the actors, "you just have to let it out" - to the temperamental gay cameraman (Dermot Mulroney), the vain, dimwitted male star (James LeGros), the distressed leading lady (Catherine Keener) and the vertically challenged extra in an overloaded dream sequence - smoke, apples, mother figures - who complains he is a victim of dwarfist screenwriting.

They are all trying to make a low-budget underground movie. But the revolving door plays up so badly that our director/hero either cannot turn it at all or cannot stop it. Signalling the first is the horribly funny opening sequence in which the actress has to keep re-taking the same speech. Microphone dangling in frame, then goes lost, then noises off - the girl slowly succumbs to a baroque array of fits, trembles and freeze-ups.

The second condition - non-stop revolve - is apparent in the film's free movement between reality and dream scenes. We keep thinking we are in the one but discover we are in the other. There is no refuge, of course, in either. For DiCillo's characters, film-making is a dimension where anything can happen and none of it is good news. Your main

actor wants to wear an eyepatch for a love scene. Your main actress once did a shower scene with Richard Gere and never lets anyone forget it. Worst of all: when your paid actors fail to deliver the goods, your mother comes in, hits her chalkmarks, knows her 'lines' and advises on camera placement. And she is not even in the film.

LIVING IN OBLIVION
Tom Di Cillo

TO WONG FOO,
THANKS FOR
EVERYTHING! JULIE
NEWMAR
Bebean Kidron

PANTHER
Mario Van Peebles
WHEN NIGHT IS
FALLING
Patricia Rozema

DICILLO places his own camera in the simplest, most subversive spots. Pretending to be a guileless observer, its flat-on viewpoints and playblock colours suggest a 1950s innocence. Somehow, though, it comically X-rays every character's hopes, fears and vanities. Cinema, after all, is about people trying to dragon the rebellious and accidental into the artful.

Living In Oblivion is a bittersweet birthday tribute to a form that has spent much of its history - and will no doubt spend much of its future - feeling it is lucky to be alive at all. *To Wong Foo, Thanks For Everything, Julie Newmar* must have begun as one of those foolproof ideas: everyone instantly says "Yes" too. We almost hear the choruses around the smoke-filled conference table.

"Three macho guys in drag? I love it!" "Yuh, we got Pat Swayze, Wes Snipes and Johnny Leguizamo, and we see 'em pulling on the net stockings and hitching the bras..." "Hah!" "And they put on lipstick and wiggle and simper..." "Don't, you're breaking me up!" "And they get stuck in this one-horse town on the way



Horribly funny: Catherine Keener and James LeGros star in 'Living In Oblivion'

to some destination we'll make up..." "Hollywood." "Right, Hollywood. And they do little dance numbers and songs and a couple of the local guys take a romantic shine to them..." "Great and do we have plagiarism insurance against *Priscilla, Queen Of The Desert*?"

The hit Australian drag comedy is not mentioned in the credits, though it could surely suggest for copyright breach. The main or only difference is that *Priscilla* was funny while *Wong Foo* isn't. Instead of witty dialogue and well-timed acting, we have two hours of flouncing and simpering in which we are expected to guffaw at the mere sight of action stars Wesley Snipes and Patrick Swayze painting their nails or making *moues* with their mouths. The debut writer

was Douglas Carter Beane. The director was Britain's Bebean Kidron, who made *Oranges Are Not The Only Fruit* and who may have longed to haul Jeannette Winterson over to America to give some bite to the sexual ambivalence.

Panther hurtles through the true, or truish, tale of the 1960s/70s Black Panther movement. It has all the right credentials. The black director is Mario Van Peebles of *New Jack City* and *Posse*, and the screenplay is by his film-maker father Melvin, whose *Sweet Sweetback's Baadass Song* was a cult movie with politicised blacks in the early seventies.

So what went wrong? Almost everything. The cast is over-crowded and undercharacterised from the truth-based duo of Huey Newton and Bobby

Seale (Marcus Chong, Courtney Vance), who co-founded the Panthers and led their early confrontations with police and political institutions, to the five-time hero Judge (Kadeem Hardison), who panics bravely in centre screen as if trapped between a Spike Lee movie and an Oliver Stone one.

This is *JFK* mixed with *Malcolm X* and denied the budget of either. Van Peebles (Mario) tries to run with the handheld camera and quick-cut, kaleidoscopic news footage; but the film never out-sprints its own clichés. Every FBI man wears the Kevin Costner glasses from *JFK*, every enemy of the Panthers - from J. Edgar Hoover downwards - is lit and framed like Satan seen through an acid haze.

This is political history for simpletons; but most simpletons will be smart enough to see something else. *When Night Is Falling* by Canadian writer-director Patricia Rozema is completely weird, but at least it doesn't try to sell us something. Men can't be lesbians and straight women presumably don't want to be.

So we sit back safely as college lecturer Pascal Bussières is distracted from her nice-but-boring academic boyfriend by a love-orn circus artiste Rachael Crawford. Miss C shoots arrows through windows, resurrects dead dogs, offers hanging interludes and seduces Miss B under the big canvas of the "Striptease of Sorts".

It is as if Jean Cocteau had directed a script by (let us re-invoke) Jeannette Winterson. One moment the whole

thing seems ineffably silly; the next it catches us up in a little, lopsided romantic magic.

At the London Film Festival the final week is dominated by the East. From Hong Kong, Yim Ho's *The Day The Sun Turned Cold* and Stanley Kwan's *Red Rose, White Rose* paint powerful pictures of love

turning to tragedy in contrasting worlds: snowbound peasant China and sympathetic pre-Communist Shanghai. From China, Li Shanghong's *Blush* is a bitter-sweet epic about two prostitutes trying to reconstruct themselves under Mao. And from the nearer East, Iran's *The White Ballon* - little girl loses banknote, combs big city, finds life and revelation - hit cult status at Cannes and now shows at the LFF before opening in Britain after Christmas.

Ironically, the show keeps telling you why Howard McGillin is wrong for the role of Mack. Mack is tough and brisk and comic; the song "I won't send roses" sums up his treatment of romance. McGillin, by contrast, looks the way poets should look: serious poets, I mean; and he speaks and sings along those lines too. Tall and lean, with deep-set eyes and distinguished American bone-structure, his voice is tremulous with feeling; the braying vibrato is, in fact, overdone. But, from the curtain's rise, McGillin gives a star performance. Caroline O'Connor, by contrast, belongs beautifully to the role of Mabel; and it to her. At first, this Mabel seems to be simply a marvellous cartoon character, with her absurd Dickensian face and the bright nasal voice with which she presents "Look what Happened to Mabel", her first number.

Then, bit by bit, her voice reveals its darker power, and she shows the three-dimensional truth of this character. She really is a first-class comedienne, especially in physical terms.

Accordingly, Bryars' music combined repetitive disco-beat minimalism only superficially like the "systems-music" that triggered the American imaginations of Steve Reich and early Philip Glass - with pastiches *en passant* of 19th-century French opera. Wistful, ambiguous cadences à la Faure under the press-repeat charter, sudden bursts of dramatic recitative à la Cherubini and Berlioz, though with wrenching Viennese Expressionist vocal leaps. This *Medea* score was bizarre enough to serve Wilson's stage purposes, but as concert-music it sounded thin, amateurish and unconsciously protracted.

Theatre
'Mack and Mabel'

Full of beans and bubbling with sentiment, the musical *Mack and Mabel* is an almost non-stop outburst of high energy. This is good news; and what is better news is that the energy pours first and foremost from the music.

The brassy, pulsating, impudent overture, a great success in its own right, tells you straightforwardly everything you need to know about the spirit of the show to come.

The tale of *Mack and Mabel* is about the nearly irrepressible vitality of two especially mettlesome characters, the silent movie director Mack Sennett and his star comedienne Mabel Normand; and when finally their energy is repressed the show reaches its end. Energy, high spirits, vitality: *Mack and Mabel* reminds us that these are what musicals should be all about. The show, new in 1974, is to the book of Michael Stewart and the music and lyrics of Jerry Herman. Vigorously championed in subsequent years by David Jacobs, and its overture brilliantly choreographed by Torvill and Dean, it has been due for revival.

The director Paul Kerrison has seized the opportunity; his staging comes to the Piccadilly Theatre from the Haymarket Theatre, Leicester. There is plenty to praise about his work here, and in particular the fact that he focuses everything on the two lead players. Nothing puts either Mack or Mabel into the shade.

Ironically, the show keeps telling you why Howard McGillin is wrong for the role of Mack. Mack is tough and brisk and comic; the song "I won't send roses" sums up his treatment of romance. McGillin, by contrast, looks the way poets should look: serious poets, I mean; and he speaks and sings along those lines too. Tall and lean, with deep-set eyes and distinguished American bone-structure, his voice is tremulous with feeling; the braying vibrato is, in fact, overdone. But, from the curtain's rise, McGillin gives a star performance. Caroline O'Connor, by contrast, belongs beautifully to the role of Mabel; and it to her. At first, this Mabel seems to be simply a marvellous cartoon character, with her absurd Dickensian face and the bright nasal voice with which she presents "Look what Happened to Mabel", her first number.

Then, bit by bit, her voice reveals its darker power, and she shows the three-dimensional truth of this character. She really is a first-class comedienne, especially in physical terms.

Warm praise should also go to Kathryn Evans as Little; to Martin Johnes's designs; and to all of Michael Smuin's choreography. Some of the dialogue is weak and the show does wind down in its last quarter-hour. The hero of the show, beyond O'Connor and McGillin, is the composer and lyricist Jerry Herman, who has made slight revisions of his show for this revival. His decision to have a chiefly brass orchestra accompany the music gives *Mack and Mabel* a character all of its own.

Alastair Macaulay

Ballet/Clement Crisp

'Manon'

The Royal Ballet has a new *Manon*, a most promising *Manon* - in every sense of the word, since *Manon's* secret was that she was promised so much as the Abbé Prévost and Sir Kenneth MacMillan tells us - a *Manon* to enchant the men on stage and those in the audience.

As a young soloist Sarah Wildor caught our attention by the quiet distinction of her dancing, amid flummery and flutter in *Ballet Imperial*, her beautiful head, exquisitely balanced torso, seemed the redeeming feature of a performance. A debut as Juliet was splendid; a first *Giselle* impressive in emotional range.

On Tuesday night, Miss Wildor made her second appearance in the current run of *Manon* performances at Covent Garden, and was touchingly good.

She conveys at her first appearance the exact and magical balance between innocence and sensuality, and the tamping of her girlish eagerness

are ravishing, curving through and round the choreography, but there are delicacies of footwork, sheer prettiness of step, which are unexplored. That will come, and then we shall have a complete and lovely portrayal.

I do believe, though, that *Manon* can survive if it is so grimly cast. Zoltan Solymosi, splendid partner, made no more than a rough sketch of de Gruy. William Trevitt lacks the charm for Lescost, who is certainly a mean-spirited brute, but whose physical allure (remember David Wall's irresistible rogue?) is a weapon in his fight for survival. The duet with, a hoyden mistress, was no joke. Gary Avis looks too young for Monsieur G.M.'s choleric sexual drive and social arrogance - a boy doing a man's job. MacMillan's choreography demands intense emotional playing to shape each phase of movement and sustain the least moment. These performances failed on every count. Miss Wildor deserves better.

She plays with sweetness and ease, carrying each scene (as she needed to on Tuesday, when surrounded by a cast of shop-window dummies) securely. Her arms and torso

there was a flurry of old modernisms to be heard last weekend.

From Glasgow on Friday, Radio 3 broadcast a live concert version of Gavin Bryars' 20-year-old "opera" *Medea*, a case of early, tentative British minimalism (after the Americans). On the South Bank on Sunday, Markus Stenz and the London Sinfonietta gave us crystalline performances of Anton von Webern, who was widely thought of in the 60s and 70s as the definitive modernist composer; and also two recent British pieces, quite different.

And earlier that day, the pianist Emmanuel Ax chose to begin his otherwise easy-on-the-ear Barbican recital with Aaron Copland's 1930 *Piano Variations*: tough and分裂, but without doubt seminal. In their cogent, stripped-down economy, they bear comparison with Bartók's 1928 *Fourth Quartet*; no composer of the time could have failed to hear that something newly rigorous and pungent was going on Ax brought them to gritty life, with a sure instinct for their crucial rhythmic springs.

Stenz conducted the reduced, cut-rate version of Webern's Six Pieces, op. 6 to as much effect as its meagre chamber ensemble permits. The op. 24 Concerto for nine instruments and the cantata *Das Augenlicht*, with the intrepid Sinfonietta Chorus, seemed pristine waltzes - set in which Ax identified with rare precision - as an oblique prelude to familiar waltzes by Chopin and Liszt.

Stenz conducted the reduced,

rest of his programme went down pleasantly, with fine musical insights, Schubert and early Brahms' *Second Sonata*, less Haydn than the composer-pianist would have made it), and then Ravinia's "noble and sentimental" waltz-set - in which Ax identified with rare precision - as an oblique prelude to familiar waltzes by Chopin and Liszt.

Arriving early at the Queen Elizabeth Hall, I had walked into a sea of softly moaning French horns in the foyer - 25 or 30 of them, in amphitheatre groups. That proved to be Simon Bainbridge's contribution. *Cal's Echoes and Clouds*, to the South Bank's "Contemporary Horn" weekend, devised for and with young players from around the country. It was a spur-of-the-moment offshoot from his new horn concerto *Landscape and Memory*, which we heard in the concert proper: plangent and melancholy, not really "modernist", but tamed by economical devices like Copland's and Bartók's. Thus it coexists to be both laconic and expansive, coolly balanced and measured, hermetically self-contained, transparent but astonishingly dense. That did not favour Robert Saxton's 1992 trumpet-concerto *A Song of Ascents*, which despite John Wallace's eloquent advocacy again brought them to gritty life, with a sure instinct for their crucial rhythmic springs.

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Music/David Murray

Old modernisms

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Webern's would not suit Bainbridge's backward-yearning intentions.

Bryars' *Medea* seems a strange artefact now, especially when played without staging. It was his first "opera", earning the inverted commas because it was written for a Robert Wilson production in France, and figured only as the aural accompaniment to Wilson's original vision. Wilson likes to have up-to-date sound.

Accordingly, Bryars' music combined repetitive disco-beat minimalism only superficially like the "systems-music" that triggered the American imaginations of Steve Reich and early Philip Glass - with pastiches *en passant* of 19th-century French opera. Wistful, ambiguous cadences à la Faure under the press-repeat charter, sudden bursts of dramatic recitative à la Cherubini and Berlioz, though with wrenching Viennese Expressionist vocal leaps. This *Medea* score was bizarre enough to serve Wilson's stage purposes, but as concert-music it sounded thin, amateurish and unconsciously protracted.

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● ORF-Symphonieorchester: with conductor Dennis Russell Davies, alto Dagmar Peckova, baritone Boje Skovhus perform works by R. Strauss and Hindemith, in honour of Hindemith's birth; 7.30pm; Nov 10

THEATRE

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● Die Riesen vom Berge: by Prandelli. Directed by Streicher, Brookhaus, Frigerio, Spinatelli, Carpini and Fleisch; 8pm; Nov 10

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■ AMSTERDAM

COMMENT & ANALYSIS

Economic Viewpoint · Samuel Brittan

No, not the next Budget

Fundamental reform of the welfare state is fashionable. But reformers disagree on whether it could be both improved and made cheaper at the same time

As Philip Stephens pointed out on this page on November 7, it is not even worth looking for strategic thinking on the functions of the state in this month's UK Budget. It will be a desperate attempt to trim existing programmes, where political resistance is weakest, so that the government can wrongly claim that taxes have been cut - while all we shall see is a modest reduction in the rate of increase.

But pre-election budgets are not the end of all thinking. In the last few weeks I have been present at discussions of reform plans which were seemingly very different, but which have at least some insights in common. One of the sessions related to a new book by James Meade, the British Nobel prize-winning economist. His new publication is entitled *Full Employment Regained* (Cambridge University Press). While the general outlines will be familiar to readers of his previous publications, there are, as always, new insights, policy suggestions and improvements in exposition.

The other economic reformer, whose ideas were discussed on a recent visit to London, is Sir Roger Douglas. He is the former Labor finance minister whose measures to liberalise the New Zealand economy have been a model for other countries. Douglas has since fallen out with the New Zealand Labor party which was unwilling to continue along this road and has now formed his own political group. Although it so far accounts for only 3 per cent of the electorate, who knows how much influence it may one day come to hold under New Zealand's new proportional representation system?

Douglas's proposals are contained in *Unfinished Business* (published by New Zealand Random House and obtainable in the UK from Simon Walker at Brunswick Public Relations). Douglas still boasts that he comes from three gen-

erations of Labor politicians and that he is mainly guided by the desire to help the disadvantaged who have not participated in general prosperity.

Having represented one of the poorest of New Zealand's constituencies, he insists that the poor are just like the rest of us, responsive to incentives and opportunities and eager to learn and work, if given the slightest encouragement.

Fairly or unfairly this motivation sounds more convincing from him than from any Tory or Republican "rightwing radical".

There is a world of difference between the approaches of the two reformers. Meade has all his life believed in a judicious mixture of planning and the price mechanism, using the latter as an instrument of the former. But his reaction to what he perceives as the negativity of 16 years of Conservative government, has caused him to swing a little towards the planning side of the twins. For instance, he proclaims in his conclusion that the simplified model of his book makes use of no fewer than 21 macroeconomic control variables and institutional changes.

The consensus was that his proposals presupposed a generosity

towards some of the less fortunate members of society and those prone to opt out of it, for which the rest of us would have to pay - not only in tax, but perhaps in reduced overall work effort and lower measured national income.

Douglas, on the other hand, wants to roll back the state much further. He envisages a balanced budget after three years of his plan and the total elimination of government debt within 20 years. (So does Meade for different reasons.)

Within that period personal income tax and company tax

will be eliminated, while other

indirect taxes will be greatly reduced. On the other side of the account, government expenditure is reduced in real terms by more than 30 per cent in the first 10 years.

Unlike most of those who talk in this way, Douglas has detailed plans for achieving his results in which he has been aided by number-crunching experts. It has to be said however that his treatment is so embedded in the recent political history of New Zealand and its fiscal system that it would take a team from the British Institute for Fiscal Studies quite a time to assess what they amount to and translate them into terms that non-New

Zealanders could understand.

Meade's concerns are different. He would like a return to active government management of demand, if only in nominal terms (cash flow). Douglas, on the other hand, is content with the price stability framework established by the inflation contracts between the Reserve Bank and the New Zealand government and legislation in his country for a structural budget balance.

And yet, there is a kernel of

thinking in common between Douglas and Meade. Meade has always insisted that if people are to be priced into work, whether through free market forces or direct intervention, there must be an adequate safety net for those whose earnings in the market place do not provide a reasonable standard of living. Douglas says something very similar, insisting that a Guaranteed Minimum Family Income (GMFI) is at the "kernel" of his proposals.

The chart is a very simplified attempt to show what an income guarantee might look like. The unit of measurement relates to proportions of average income. The horizontal axis shows original income, from work, property earnings or whatever. The vertical axis shows net take-home pay.

Someone with zero original income receives a "negative income tax" payment amounting to, say, one third of average pay. But as he moves back

into work, two-thirds of every

point of benefit is reduced for

every pound he earns. (The 45

degree line shows what would

happen if a citizen kept all of

every extra pound he earned.

The flatter the net income

line, the steeper the withdrawal or tax rate.

Thus when he is earning

one half of average income, he

receives nothing from the

state and pays no tax. After

that a normal rate of income

tax is imposed on one third of

every pound he earns. Meade

also has some higher rates of

tax further up the scale, but

these are not essential to the argument.

The Douglas version consists of cash top-ups for households on low income. Unemployment benefit would presumably be financed from the private insurance which he would make compulsory. His arithmetic could well hold. In the UK the great bulk of benefits is devoted neither to the unemployed nor to top-up payments for the low paid, but to payments to the elderly and long-term sick together with universal child benefit.

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BOOK REVIEW · Edward Mortimer

BALKAN ODYSSEY: By David Owen
Gollancz, £20 (CD-Rom standard ed. £25, academic ed. £150.)

Painstaking progress of a peacemaker

The publication of David

Owen's memoir of his Balkan

peacemaking efforts is first

and foremost a technical feat.

In four months after relinquishing his post as co-chairman of the International Conference on the former Yugoslavia, Lord Owen produced a text which runs to 367 closely printed pages, covering events up to the Bosnian ceasefire on October 12. These were then printed, bound and distributed within about a fortnight.

The most important reason why the Douglas proposals point to a diminishing tax burden, while the Meade proposals involve an increasing one, is that Douglas envisages the state partially withdrawing from the traditional welfare state area. He suggests compulsory minimum levels of insurance for health and social security, with the state paying the premiums of the poorest. Education would be financed from vouchers whose value would taper off for the middle and upper income groups.

We have not had an honest debate on whether such ideas are either feasible or desirable. One reservation is that if people pay much lower taxes but have to make deductions for insurance, school fees, health plans and the like they are not going to end up with much higher income to spend at their discretion.

So we are left with the question of whether people would still feel untaxed income to be theirs, even if they are compelled to devote some of this income to provision for their own long-term needs. And will this sense of higher income at the margin, if it is there, translate into greater willingness to acquire skills and accept jobs at the going rate instead of contributing to the dependency culture? Despite the enormous emotions and political prejudices involved, these questions are amenable to research.

Both the speed of production and the volume of supporting material bespeak a man desperate to get his version on record. During his three years in the job, Owen did not get a very good press. Especially in the US, but to a considerable extent also in the European media, he was pilloried as a latter-day Neville Chamberlain, an appeaser of Serb aggression, a ratioc of ethnic cleansing and an uncaring dupe of Slobodan Milosevic. Serbia's president. Not surprisingly he is anxious to refute

those charges, and to marshal evidence in his defence.

Perhaps, all the same, he would have done better to take longer over it, and write a shorter book. His narrative is essentially chronological. It is clear, and has all the hallmarks of being honest. Owen at times is quite hard on himself, for instance in his account of an interview with the New York Times just after the Clinton administration took office. Owen believes this interview "permanently damaged" his relationship with Warren Christopher, US secretary of state, and so helped seal the fate of the 1992 Vance-Owen peace plan to end the war in Bosnia. Yet he admits there was "no misunderstanding" between him and the interviewer.

As if that were not enough, there is an accompanying CD-Rom or rather two - produced by a start-up multimedia company, The Electric Company. The standard edition contains the book's full text, with more than 200 "multimedia references" giving background information on personalities and institutions, plus extensive video footage.

But for £20 you can get the "academic" edition which contains the full archive of documents, some of which, such as Lord Owen's regular reports to EU foreign ministers, are hitherto unpublished. This will surely be a valuable research tool for future historians of the conflict. Its novelty gives it an air of gimmickry today, but I should not be surprised if in a few years such memoirs are seen as incomplete without a multimedia accompaniment.

The book's overwhelming feature, however, is a weight of detail under which the reader at times feels close to suffocation. That is not just the book's problem, it is Yugoslavia's. The sheer complexity of the issues makes simple solutions impossible, yet whoever explains this appears to be making excuses for the most appalling atrocities, or at least for passive acceptance of them.

There is a certain irony in Owen falling victim to this syndrome, since he is himself by temperament a simplifier, impatient with detail, eager for action and suspicious of objec-

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in Moscow

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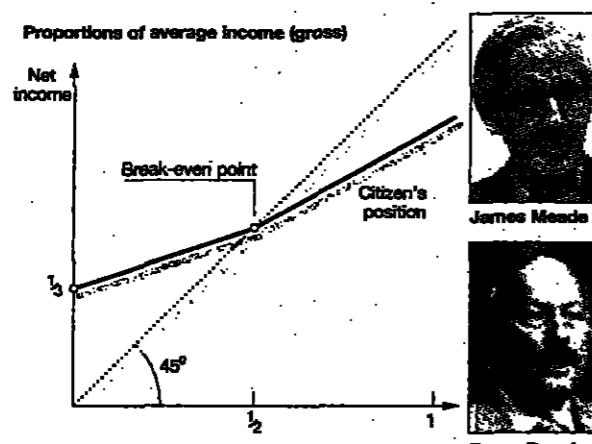


fundamental reform of the welfare state is fashionable. But reformers disagree on whether it could be both improved and made cheaper at the same time

James Meade

Roger Douglas

Effects of tax and benefit



With the policy debate focused on the NHS, the UK's private health care sector is often overlooked. A policy expert and spokesman for independent health care providers argues that this growing private sector holds the key to health care reform in Britain.

While the UK is famed for its NHS, less is known of its private, or independent, sector. Indeed, there has been a tendency for governments and others to neglect the contribution that it makes to the health of the nation.

Today, the UK's independent health and social care sector employs nearly 450,000 people and provides over 400,000 beds for treatment and care. For every two people the NHS employs, the independent sector now employs one.

The sector's turnover is roughly £13.1 billion per year or 24% of all spending on health care. And the services available include: acute hospital care, long term nursing and residential care for the old or mentally ill, acute psychiatric care, including drug and alcohol abuse rehabilitation, and health screening. 69% of all health Research and Development is funded independently of government.

The sector provides 20% of all elective surgery, including, for example 20% of all coronary heart bypass operations and 30% of all hip replacements. The operations performed range from the simple to the very complex. 25% of surgical procedures reported in a recent survey were classified as "major" or "major complex", and 27% were classified as "minor". The remaining 48% were described as being "intermediate".

The independent sector provides 74% of all long-term nursing and residential care and is diverse, offering nursing, convalescence, respite and rehabilitation care to a wide range of client groups including the elderly, the elderly mentally ill, the physically disabled, and children and adults with learning difficulties. Some homes offer specialist care in the fields of head injury or challenging behaviour. The sector is moving into other innovative forms of

care, including domiciliary, day and respite services, which enable people to be cared for in their own homes as well as providing relief for caring relatives.

Again, the proportion of psychiatric services provided by the independent sector is growing rapidly. There are now 69 independent acute psychiatric units in the country which represent a six fold increase since 1980. 28% of consultant psychiatrists admit patients to independent sector facilities

and their children. In the South East of England nearly one quarter of the population has medical insurance.

Today, it would require something in

the order of the equivalent of 3 or 4 percent

on the basic rate of Income Tax simply to

replace current private spending on the

NHS and other statutory Local Authority

services. However, even

Welfare
its drive

FINANCIAL TIMES

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Thursday November 9 1995

A false move in Moscow

The abrupt dismissal yesterday of Tatyana Paramonova as acting governor of the Russian central bank, supposedly on the authority of an ailing President Boris Yeltsin, is a very disturbing sign. She was clearly identified with the most successful stabilisation programme yet attempted in Moscow. Under her authority, the central bank had succeeded in sticking to its own strict monetary targets through the year, to the surprise and delight of the International Monetary Fund. Her departure suggests that short-term political considerations, in advance of parliamentary and presidential elections, have become paramount in policy-making.

For a start, it is not clear who took the decision to sack her, in an increasingly confused political situation. Since Yeltsin was hospitalised, none of the main officials connected with economic policy has been allowed near him, with the exception of prime minister Chernomyrdin, who had half-hour's conversation one week ago.

Ms Paramonova had no shortage of enemies, to be sure. The association of Russian banks had been openly campaigning for her dismissal, after she raised reserve requirements deliberately to drive some of the weakest banks to the wall. Her tight credit control meant that the normal surge in

loans to factories and farms during the summer months never happened. Indeed, she actually dared to turn the screw tighter in September, reducing the monthly monetary growth target to 2 per cent.

If her sacking means that monetary policy will be relaxed, the suspicion must be that it is for electoral reasons. The reformed Communists appear to be well in front in the polls for December's parliamentary elections, with Our Home is Russia Mr Chernomyrdin's party, trailing badly. Members of the government are calling for handouts to be given to key groups - pensioners, war veterans, and savers hit by stock market frauds. Pressure on the central bank has been growing.

It could scarcely be a worse moment for Russia to relax. The IMF mission is due back next week, and negotiations were on track for an extended loan of up to \$15bn next year. The economy has been performing well, and, thanks to Ms Paramonova, inflation has been coming down.

If the monetary targets are abandoned, the IMF loan will not be the only thing in doubt. There would be no question of a Paris Club refinancing next year, nor of raising a eurobond. All the pain of the stabilisation programme would be for nothing.

Bank fudge

The most worrying feature of the Bank of England's latest quarterly inflation report is not its conclusion, but the elaborate fudge used to reach it. The Bank still thinks that the government is more likely to miss its inflation target than hit it in two years' time without a change in interest rates. Yet the battered Mr George now prefers to "wait and see" rather than advise action.

This change of heart stems from two types of uncertainty that have emerged over the past six months. The first relates to the weakness of the recovery and underlying inflation pressures. As Mervyn King, the Bank's chief economist, admitted at yesterday's press briefing, the economic data published over the past few months has made an overshoot of the target less likely than in May, when Mr George was pressing the chancellor for higher rates. Equally, if inflation does exceed the target, the overshoot is likely to be a small one.

For its part, the report highlights several doubts surrounding the inflation forecast, of which the most important is the future evolution of demand. If foreign and domestic demand pick up markedly in the months ahead, then the Bank's benign view on the recent slowdown, and correspondingly hawkish view on inflation, might be proved right by events.

But the present framework for UK monetary policy does not require Mr George to be proved right in retrospect. Rather, it requires him to tell the chancellor whether or not the government needs to change interest rates in order to hit its inflation target. On the evidence of his own recent statements, and yesterday's report, he has failed to do this in the past three monetary meetings.

The fact that Mr George has

changed his view on interest rates without altering his view that the target will be missed is testament to the second, more regrettable, kind of uncertainty that has developed since the beginning of the summer. This relates to the inflation target that the governor has in mind when considering his advice and to how far he thinks he can press the chancellor to achieve it.

At the time of Mr Clarke's Mansion House speech, Mr George said that the chancellor's target was to keep underlying inflation - excluding mortgage interest payments - below 2.5 per cent. He said it was "absolute rubbish" to suggest the new target was looser than the previous one, which aimed to get inflation towards the lower half of the 1.4 per cent range. On the basis of yesterday's report, however, Mr George no longer believes this. In effect, the official target is now for inflation to average 2.5 per cent over the medium term, not, as Mr Clarke said in his speech, to achieve 2% per cent or less. By any reckoning, this is a loosening of policy.

The earlier disagreement between chancellor and governor has taken its toll. Because the Bank did not have the last word on interest rates, it did suffer the embarrassment of its advice being publicly ignored. It has therefore returned to the time-honoured tradition of determining its advice on the grounds of political as well as economic prudence. Greater transparency has forced Mr George to be more open in his judgments about the prospects for inflation. But that very transparency shows the regime is not as different from the one that served the UK so ill in the past as many had hoped. The governor still tempers his advice to what he deems politically acceptable.

Shipbuilding

No country has worked harder than the US to end the ruinous worldwide race to pour taxpayers' money into shipbuilding. US persistence was rewarded by an international agreement, laboriously negotiated in the Organisation for Economic Co-operation and Development, to curb subsidies and impose price disciplines in the industry. But less than two months before the pact is due to take effect, it is in danger of foundering, largely because of inaction by the US Congress.

Although the Senate appears ready to ratify the accord, it is still bogged down in the House of Representatives' ways and means committee. For once, the culprit is not isolationism of the kind which imperilled US passage of other recent trade agreements, notably the Uruguay Round. The aims of the shipbuilding pact command wide support on Capitol Hill. Nor is it strongly opposed by any powerful US producer lobby.

The problem arises partly from a heavy legislative workload, which has also slowed ratification in Japan and South Korea. More seriously, the accord has been caught in the crossfire of Democratic administration's legislative agenda. Unless these obstacles are resolved by the summer, when Congress is due to recess for the

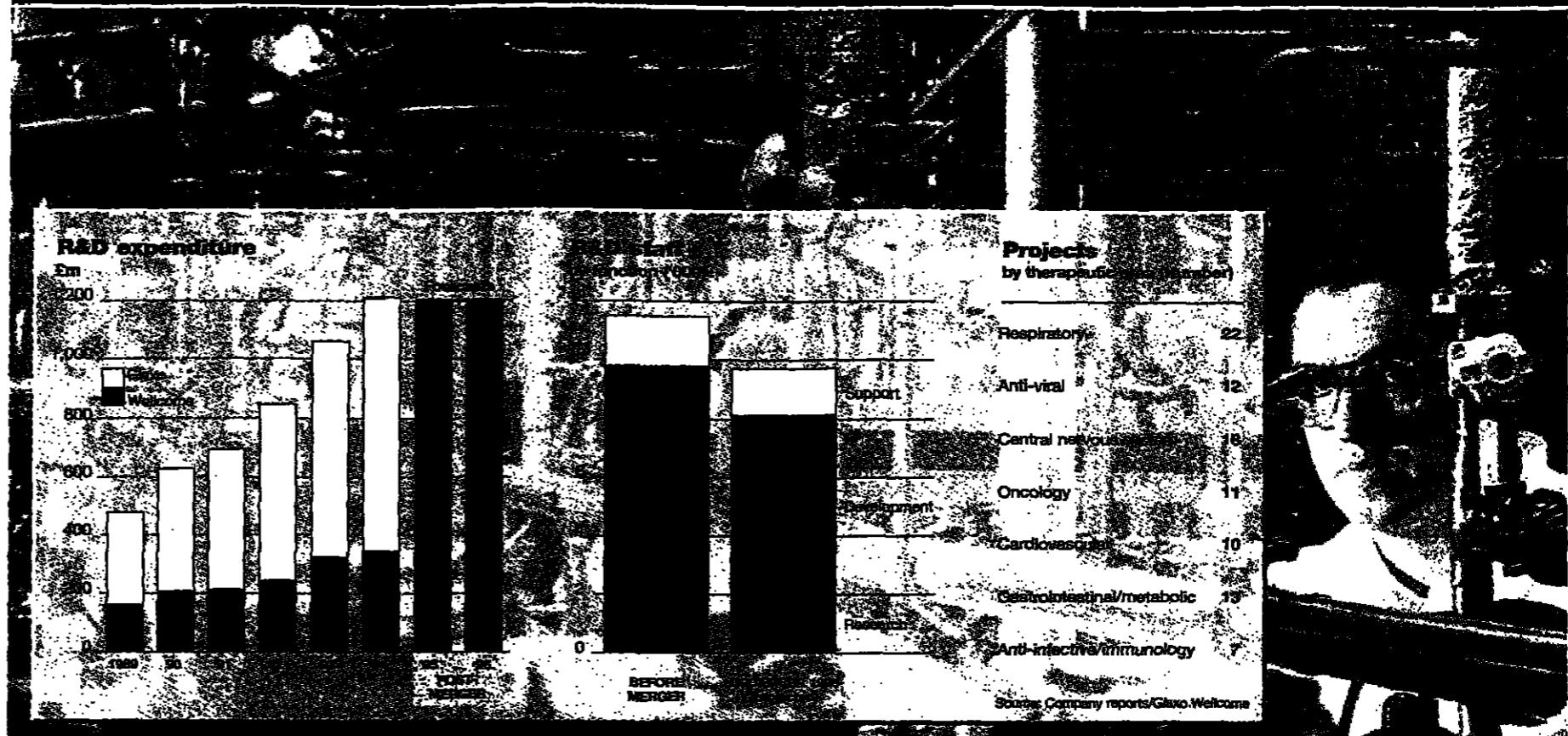
election campaign, the agreement will almost certainly lapse.

Uncertainty about US intentions is already threatening the delicate international consensus underpinning the accord, which requires unanimous approval. Although the EU has ratified the pact, delays by other governments prompted it this week to postpone implementation until next October. Meanwhile, troubled shipyards in several member states are queuing up for fresh subsidies. Brussels will find it increasingly hard to contain these pressures if the belief grows that the OECD pact is doomed. Equally, reluctant political support for the deal in Japan and Korea, whose involvement the EU has made a condition for its own participation, is likely to decline further.

The unravelling of the agreement would signal a return to the beggar-my-neighbour policies, distorted competition and massive excess capacity which have bedevilled world shipbuilding for more than two decades. It was precisely these conditions which led the US to cajole other governments to agree on a more rational approach. That prize is now within grasp. For it to be foisted at the last minute because of partisan bickering and legislative indecision in Washington would be indefensible.

COMMENT & ANALYSIS

Glaxo Wellcome: developments in the pipeline



New formula for the chemistry set

The most important element in the Glaxo Wellcome merger has fallen into place with a new structure for R&D, says Clive Cookson

Instead of white lab coats, grey City suits filled Glaxo Wellcome's plush new scientific lecture theatre yesterday at its Stevenage research centre north of London. Two hundred financial analysts and investors had come to the world's largest drugs company to hear about the final and most important element in the integration of Glaxo with Wellcome: the new research and development strategy.

The visitors heard that Glaxo Wellcome had not only combined what senior scientists saw as the cream of the R&D portfolios of the two individual companies, they had also created a new structure for R&D that was quite different from either Glaxo's or Wellcome's before their merger early this year.

"We saw the integration as an opportunity to change fundamentally the R&D organisation and process," said Dr James Niedel, Glaxo Wellcome's R&D director. "This is a science-driven company: if we are successful in R&D, the company will succeed."

If the new R&D structure achieves the company's target - increasing productivity three-fold and bringing three important new medicines to market per year from 2000 - it may be seen as a model for the world's pharmaceutical industry as it faces rapidly increasing costs. The industry now regards one to two new drugs a year as an impressive achievement for a large company.

After four hours of lectures from Glaxo Wellcome's senior scientists, many of the analysts certainly seemed impressed by what they had heard. There was a positive tone to conversation in the dining room overlooking the £700m US-style research campus that Glaxo has laid out over the past four years.

Some felt that Glaxo Wellcome could give a more general lesson about taking over large companies: take advantage of the inevitable disruption, the heightened hopes and fears of your staff, the sense that

big changes are in the air, to make radical changes as quickly as possible, even in the most sensitive parts of the organisation.

In previous mergers between pharmaceutical giants - such as the creation of SmithKline Beecham, Bristol-Myers Squibb and Rhône-Poulenc Rorer - the corporate leadership tended to treat the researchers with kid gloves compared to other staff, introducing changes more gradually in R&D than in marketing, manufacturing and elsewhere.

Everyone associated with Glaxo Wellcome - from Sir Richard Sykes, chief executive, downwards - agrees that staff morale was abysmal during the summer when every R&D project, indeed everyone's job, was at risk during the integration review. In the end, the combined R&D headcount has been cut from 11,500 to 9,700 worldwide.

But now that all research staff

know whether they will be staying or going - and if they are staying, how they might fit into the new structure - morale is improving.

"I think people see that we did this with honesty and integrity," says Dr Niedel. "The ones who remain say: 'This was a rotten time and we wish we hadn't gone through it, but a stronger company has emerged'."

The review revealed some big differences in approach between Glaxo and Wellcome. One can be seen in the fact that 90 of the 160 development projects were in Wellcome, although the company was only half the size of Glaxo. That reflects Glaxo's more ruthless - or, to be more positive, decisive - management style: either chop a project or fund it generously. Wellcome, in contrast, allowed many projects to

limp on with resources that were, in Glaxo's view, quite inadequate.

Although the senior management of the combined company comes almost entirely from Glaxo, Wellcome projects have not emerged fully from the review. This lends credence to the view that Glaxo launched its bid at least partly because it was worried about the paucity of promising drugs in its R&D pipeline.

For example, half of the 30 projects in the exploratory development programme have come from Wellcome, and half from Glaxo.

Fears that Glaxo Wellcome would

make big cuts in its R&D budget as part of its overall cost savings following the merger turned out to be unfounded.

Although the R&D headcount has fallen 16 per cent, R&D spending will be held steady in 1995 and 1996 at about £1.2bn a year.

One reason why the company is

maintaining its R&D spending while cutting staff is that it is investing heavily in robotics and automation.

Dr Alan Baxter, UK research director, says the company's robotic system for screening new molecules for biological activity now handles 50,000 samples a week; when the next generation of equipment begins operating next year, the throughput will go up to 50,000 samples a day.

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We will form partnerships and alliances to maximise our capabilities in all parts of the business. We cannot hope to do all the R&D on our own

Sir Richard Sykes, chief executive



OBSERVER

Coasting in the roller

two-thirds the number of "Jupettes", or women with ministerial jobs.

Jacques Chirac's honest words about raising the profile of women in politics notwithstanding, the president put an awful lot of them into obscure posts which were obvious targets in a cabinet-pruning session. Take Colette Chodron, for instance, minister for solidarity between the generations.

Still, there is at least one clear

compensation for the four women who remain in power. The daily wardrobe co-ordination sessions will be infinitely less complicated.

When several Jupettes appear together, they are typically clad in striking bright jackets. But never of the same colour. No doubt the result of frenetic morning activity that could more usefully have been channelled into brief reading.

Call to arms

■ Poland's presidential campaign has descended to comparisons of net worth as Lech Wałęsa, the incumbent, and Aleksander Kwaśniewski, the head of the former communists, slug it out for the highest office in the land.

Wałęsa is in a spot of hot water after press reports that his wife Jolanta, a successful estate agent, has shares in Polisa, a private insurance company. In response he has said he will reveal all about his material status if

Wałęsa does the same.

Wałęsa meanwhile said yesterday that he wasn't afraid of comparing notes in public, firmly implying that it was the former communist who was the rich one.

"My time in office has brought me only losses" he said, revealing for the first time that he was paid \$1m in 1989 for the rights to a biographical film which was never made but in which Robert de Niro had considered playing the Solidarity hero's role.

Half the payment had now been

spent by his wife and family. "I'm almost bankrupted", Wałęsa moaned, leaving the assembled

journalists to reflect that \$500,000

was at least something to be going on with. Especially were he to lose the election. After all, he could then count on the fees from lecture tours to buy the odd supplementary crust.

Searching one

■ US Transport Secretary Federico Pena presented his Thai counterpart with the obligatory friendship gift when they met yesterday in Bangkok. But the gaily-wrapped box was empty. The real present had been held up by the notoriously zealous customs authorities at Bangkok's international airport.

US embassy officials, who are daily besieged by complaints from Thai US businesses about goods seized by Thai customs, seemed

quite pleased at the breach in protocol. What better way to demonstrate to the rather gun-ho Pena the realities of doing business in Thailand?

Pena seemed happy to play along, and apparently informed his Thai hosts that if they wanted their gifts they could go and deal with customs themselves.

House style

■ Plenty of detail the other night on TFI concerning the French government reshuffle. But the country's leading TV station remained strangely silent on another important story: that the chairman of a big TV station had been taken into police custody on alleged corruption charges. Any guesses which channel?

Blum-er

■ May Observer be the first to congratulate the Wall Street Journal on the impeccable nature of its contacts. The newspaper surpassed itself yesterday with its news item on the management reshuffle at the top of Swiss Bank Corporation. Searching for the by-line, we were so impressed to see the name of Georges Blum up there in lights.

Blum is of course - SBC's very own chief executive, who is becoming chairman in the current rearrangement.

50 years ago

Reparations problems
Today, representatives of almost twenty Allied nations are meeting in Paris to discuss the allocation of reparations from Germany. Under the provisions of the Potsdam agreement, these are apparently to take only two forms: removal of capital equipment deemed unnecessary for Germany's peace-time economy, and confiscation of Germany's remaining foreign assets.

Inevitably, regret will be felt that there is no intention of levying reparations in the form of a series of annual payments or deliveries, since only a lengthy period of such payments on current account could hope to provide adequate compensation for the route brought upon the world yet again by German aggression.

For the present, in any event, one can do no more than express the hope that the Potsdam declaration itself will be interpreted in a reasonably enlightened spirit, having regard to the inescapable importance of Germany in the economic life of Europe as one of the most highly-developed industrial nations of the world.

INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Pharmacia reports weak third term

Pharmacia, the Swedish pharmaceuticals company which has just merged with Upjohn of the US to form one of the world's top ten drug groups, yesterday reported a SKr3.83bn (\$84.8m) profit for the first nine months, down 15.6 per cent from SKr4.3bn a year ago.

The results followed a weak third quarter when profits fell from SKr1.64bn to SKr1.32m. The drop reflected increased research and development outlay, higher operating costs, weak underlying sales growth, and hefty one-off gains last year. Shares in Pharmacia & Upjohn, which have just begun trading on the Stockholm stock exchange, reacted badly to the figures, falling SKr9, or 4 per cent, to SKr218.5.

Group sales for the nine months - before the merger was consummated - fell 2 per cent to SKr19.4bn, although on an underlying basis they rose 2 per cent. Operating income, excluding one-off items dropped from SKr3.88bn to SKr3.37bn, weakening the group's operating margin from 17.3 per cent to 16.8 per cent. Total operating income fell from SKr4.42bn to SKr3.42bn after a halving of third quarter income from SKr1.66bn to SKr0.44m. Third-quarter R&D expenses were 15 per cent higher than a year ago and operating costs 3 per cent higher.

By Christopher Brown-Humes, Stockholm

Komatsu, Demag in joint venture

Komatsu and Mannesmann Demag, two of the leading names in heavy engineering, yesterday said they would create a joint venture with sales of about DM300m (\$212m) to build and market heavy excavators. Demag is already a leading maker of heavy excavators over 100 tonnes while Komatsu brings its worldwide marketing and distribution network to the venture.

Each company will hold a 50 per cent stake in the new company, which is to be called Demag Komatsu. Management control will be divided equally between the partners. The deal has yet to be cleared by the European Union competition authorities.

Mannesmann Demag, a division of the Mannesmann engineering and telecoms conglomerate, is focusing on plant construction, plastics machinery and compressor technology. The new Demag is forecast to have sales of about DM6.5bn this year. Demag is a leading maker of heavy excavators - with about 25 per cent share of a world market worth about DM400m - but the company said it had turned to Komatsu because the Germans did not have the global marketing resources of the Japanese.

Mr Satoru Anzaki, president of Komatsu, said the two partners were "made for each other". The companies said their clients were themselves consolidating and were increasingly looking for producers who could supply the entire range of machinery needed for mining from excavators to dump trucks and bulldozers. So far Caterpillar of the US is the only manufacturer able to offer such package deals.

Michael Lindemann, Düsseldorf

Currency swings and poor US sales hit Volvo

By Christopher Brown-Humes in Stockholm

Blame for Volvo's worse-than-expected nine-month figures fell firmly on the group's car division yesterday. Volvo Car Corp's operating margins are falling just when the business should be benefiting from higher volumes and an increased share of its main North American and European markets.

Some of the problems undoubtedly stem from more competitive industry conditions. Car sales are falling in the US and showing only weak growth in Europe and Japan. Volvo, like its rivals, has had to cut prices and increase marketing.

But VCC has also been hit by two other factors: unfavourable currency movements and unusually high product development costs before a spate of new model launches.

Currency movements alone

cost the group more than SKr1bn (\$150m). The strong German and Belgian currencies have increased the company's purchasing costs just as the weak dollar has hit income from sales in the US, the group's most important market.

The high product development costs reflect the group's ambitions to cut lead times significantly and to broaden and update its range by adding a more sporty, upmarket image to its reputation for safety and reliability. The group plans to add at least one new model a year and is aiming for annual sales of 500,000 cars by 2000, against 361,000 in 1994.

In September it previewed a new mid-size four-door saloon, a range that will eventually supersede the 400 series, and it is shortly to announce a five-door version of the same car.

VCC's high rate of spending is bound to re-open the debate about whether the group

should collaborate more extensively with another manufacturer to defray more of its costs, offsetting the disadvantages of being a relatively small, niche manufacturer.

Ever since plans to merge with Renault collapsed in late 1993, the group has stuck rigidly to a position that it would collaborate with different partners on individual projects, rather than seek a broader tie-up with one manufacturer.

Mr Sören Gyll, Volvo chief executive, reiterated this yesterday. He stressed VCC was seeking to cut its operating expenses, but added that product development costs were necessarily high at this stage.

The hope is that VCC's performance will look very different from late 1994 onwards as sales of its new models start to show up in the company's cash-flow. If not, the group's go-it-alone strategy is bound to be questioned further.

See Lex, Page 16



Volvo's un-named four-door saloon: part of planned image update

Strong advance by Novo Nordisk

By Hilary Barnes in Copenhagen

Novo Nordisk, the Danish insulin and enzymes manufacturer, increased pre-tax profits at the nine-month stage by 33 per cent, from Dkr1.24bn last year to Dkr1.65bn (\$300.5m), and net profits by 29 per cent from Dkr83m to Dkr1.30bn.

The result was better than market expectations and the shares rose Dkr15 to Dkr708. The group raised its full-year forecasts, indicating pre-tax profits would rise 12 per cent, against its half-year forecast of 10 per cent.

The interim statement said net financial items and costs had developed more favourably than expected. Net financial income was Dkr80m compared with a deficit of Dkr136m last year. Operating profits (after depreciation) advanced 14 per cent from Dkr1.38bn to Dkr1.57bn, despite a Dkr200m charge for restructuring.

Turnover advanced 3 per cent from Dkr9.94bn to Dkr10.27bn. Growth was adversely affected by the disposal, with effect from July 1, of the Ferrosan vitamin and dietary supplements subsidiary, and a fall in the average value of involving currencies by 5 per cent.

Novo said the D-Mark's strength had had a significant effect on results. Stripped of exchange rate effects, sales would have expanded 12 per cent rather than 5 per cent. US orders rose from \$7bn to \$7.5bn, which represented a decline if expressed in D-Marks from DM11.5bn to DM10.8bn.

Health care sales were up 9 per cent to Dkr7.31bn. Sales of diabetes care products rose 5 per cent to Dkr1.95bn.

Components side sparks 26% surge at Siemens

By Wolfgang Münchau in Frankfurt

Siemens, the German electronics group, reported a 26 per cent rise in net profits to DM2.08bn (\$1.47bn) for the financial year to end-September, after a strong turnaround in its electronic components division.

With sales up 5 per cent to DM98.5bn, the company's provisional results were broadly in line with expectations.

A regional breakdown underlines the current diversity of views on the state of the German economy. Unlike other

German companies that recently reported strong demand from abroad and weakening demand at home, Siemens said yesterday: "Business gathered momentum again in Germany following two years of decline". Domestic orders rose 8 per cent to DM38bn.

The divisional breakdown of profits also showed a reversal of fortune among Siemens' divisions. Siemens Nixdorf Informationssysteme, the computer manufacturer, turned in a small pre-tax profit of DM62m, for the first time in four years, after a loss of

DM319m last year. Siemens said this was a result of "generally favourable economic trends in Germany and abroad".

The most spectacular turnaround came from the electronics components division, which includes semiconductors, and which increased profits from DM300m in 1993-94 to DM1.02bn.

At a pre-tax margin of 14.2 per cent, components is now by far Siemens' most profitable division.

Mr Peter Thilo Hasler, analyst at Vereinsbank Research, said: "This is a significant result and underlines the

strong growth in the market for components used in the telecommunications and the automotive industries." He said the strong growth in the mobile telephone market - with forecasts of a rise in annual sales from 27.9m to 100m units in 2000 - underlined future growth potential.

The industry division also gained from rising sales and productivity, with operational profits up from DM119m to DM702m. The communications division, previously the most profitable sector, showed profits of DM644m, compared with DM1.13bn last time.

The transportation unit, which includes the ICE high-speed business, turned in a disappointing performance with a loss of DM15m, against a profit of DM20m last time. Profits of the medical division fell by more than half to DM100m.

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Dutch paper group falls short of target

By Ronald van de Krol in Amsterdam

KNP BT, the Dutch paper, packaging and distribution group, posted a lower-than-expected rise in third-quarter net profits, as sharp fluctuations in waste-paper prices led to inventory write-downs and a squeeze on margins in the packaging sector.

Net profits rose from Fl 86m (\$54m) a year ago to Fl 116m, on sales up 16 per cent at Fl 3.7bn. However, this figure was well below the Fl 157m posted in the second quarter. It was also well short of analysts' forecasts, which had been as high as Fl 158m.

Shares in KNP BT, whose chairman is Mr Robert van Oord, fell heavily on the news, finishing the day at a 12-month low of Fl 42.10, down 7 per cent from Tuesday's close of Fl 45.30.

The main factor in the 1995 third-quarter was the drop in operating results in packaging from Fl 65m to Fl 39m, as operating margins were halved

from 7 per cent a year earlier to 3.5 per cent.

This in turn was caused by the sudden, strong rise in prices of waste paper - an important raw material in packaging products - in the early summer and the subsequent swift fall in prices later in the quarter. The decline was accelerated by customer stock reductions.

KNP BT, which built up waste-paper stocks as prices rose, was forced to write down their value substantially to reflect the new market price at the end of quarter. The company was unable to give an absolute figure for the amount of the write-down, but said: "We expect a clear recovery in [packaging] margins in the fourth quarter."

For the group as a whole, KNP BT forecast "considerably higher" fourth-quarter operating profits, producing "substantially higher" full-year net profits. Nine-month net profits surged 28 per cent to Fl 394m.

In distribution, a broad sector covering paper distribution

COMPANY PROFILE: KNP-BT

Market cap: Fl 1.6bn

Net sales: Fl 3.7bn

Historic P/E: 14.4x

Gross yield: 3.5%

Earnings per share: Fl 0.09 (1994)

Current share price: Fl 42.10

Share price relative to the Amsterdam AEX Index: 140

Earnings per share (Fl): 80

Source: FT Est.

Source: ABN Amro



and sales of graphic equipment, operating profits rose from Fl 47m to Fl 58m. But, as in packaging, KNP BT also reported a running down of stocks by paper customers.

In the group's third sector, paper manufacturing, operating results nearly doubled

from Fl 61m to Fl 110m, partly reflecting strong demand for newsprint and magazine paper. There was a decline in demand for wood-free coated paper - a glossy white paper used in corporate annual reports - but KNP predicted a return to normal demand levels soon.

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last year. Mr Schinzler said he hoped for a further underwriting improvement this year, but not as marked as in 1994-95.

Earnings per share also improved, from DM48.60 to DM72. Munich Re has announced a 1-for-11 rights issue, at a deeply discounted share price, to raise DM580m. Total investment assets, income from which helps bolster its financial position, rose last year 8 per cent to DM111m.

To make its share - currently quoted at about DM3.00 - more accessible to retail investors, Mr Schinzler said Munich Re would split them into DM5 nominal units from the present DM60.

However, this would not happen until 1997 at the earliest because of some of its shares were in registered form, necessitating difficult technical arrangements.

Creditanstalt-Bankverein ahead by 14%

By Ian Rodger in Vienna

Creditanstalt-Bankverein, Austria's second largest bank, reported a 14 per cent surge in consolidated third-quarter pre-tax profit to Sch1.45bn, because of strong growth by central European subsidiaries and in the leasing business.

Mr Guido Schmidt-Chiari, chief executive, said he was confident the group's full-year net income would be better than the Sch1.66bn (\$186.6m) reported last year.

However, there was some uncertainty about the level of

bad loan provisions, mainly because of current discussions over the future of Head, Tyrolia, Mares, the collapsed sporting goods company.

Creditanstalt is one of the biggest lenders to HTM, and is being asked to forgive some of the debt by the potential rescuers.

Mr Schmidt-Chiari said Creditanstalt had improved its operating performance steadily this year after being caught wrong-footed in securities markets in the first quarter.

For the nine months, consolidated pre-tax profit

increased by only 1 per cent to Sch1.72bn.

The bank observed that uncertainty over its future ownership and the timing of privatisation had had an adverse impact on its share prices.

The Austrian government had last month suspended its plan to sell its 69 per cent voting stake in the bank after the collapse of the governing coalition and the calling of new general elections.

"We assume that the privatisation can be completed in 1996," the bank said.

Net interest income in the

third quarter was down 10.6 per cent to Sch2.38bn and commissions declined 23 per cent to Sch334m, because of the weakness of the Austrian stock market. However, trading income more than doubled from Sch252m to Sch454m and income from participations leapt from Sch68m to Sch268m.

Creditanstalt recently received a letter of intent from the Korean engineering group Daewoo to buy a large part of its holding in the Steyr-Daimler-Puch weapons and automotive group.

Scandinavia



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ASIA-PACIFIC NEWS DIGEST

PLDT ahead 41% at nine months

Philippine Long Distance Telephone Company (PLDT), the former state-owned carrier, lifted net profits 41 per cent to 4.66bn pesos (US\$179.7m) for the first nine months of 1995. The better-than-expected results lifted PLDT's shares by 35 pesos to 1,505 pesos at yesterday's close, while the composite index rose by 0.62 per cent to 2,484 yesterday.

"PLDT comprises only 7 per cent of the index but it is a recognised market leader, so wherever it goes other stocks follow," said Mr Noel Reyes, an analyst at Dharmala Securities in Manila. The company said non-recurring gains from the initial public offering in July of its mobile phone subsidiary, the Philippine Telephone Corp (Pitel), accounted for the bulk of the increase. Earnings per share declined marginally to 48.9 pesos from 52.1 pesos when gains from the Pitel share offering were excluded.

Mr Antonio Samson, vice-president of PLDT, said the non-recurring increase was in line with forecasts. Operating revenues grew 11.2 per cent to 18.3bn pesos on higher demand for long distance and local services. International calls, which contribute about 80 per cent of overall revenues, grew 8.8 per cent in the first nine months. PLDT, also listed in New York, controls more than 80 per cent of the country's fixed telephone market, which has recently been opened to foreign competitors. *Edward Luce, Manila*

Teva sales and profits advance

Teva, the Israeli pharmaceutical company, reported an increase in profits and sales for the third quarter. The group, which this week announced plans to buy a 78 per cent stake in a Hungarian pharmaceutical company, reported record sales in the US, Europe and Israel for its line of largely generic drugs. Net profits were US\$21.6m on total sales of \$165.3m, compared with \$17.5m on \$143.5m sales in the third quarter of 1994. Teva, Israel's largest producer of pharmaceuticals, also announced a cash dividend of Shk 0.20 per American Depositary Receipt.

The agreement to buy a 78 per cent stake in Biogal Pharmaceutical Company for \$26m is contingent on the conclusion of a reorganisation plan for the Hungarian company. The stake would be part of Teva's expansion into eastern Europe.

Earlier in the quarter, it announced that the US Food and Drug Administration had accepted its application for Copaxone, a new multiple sclerosis drug, after having earlier rejected the application on technical grounds. The company's expansion plans hinge on the approval of the drug for marketing in the US and Europe. If Copaxone is approved, analysts forecast worldwide sales as high as \$200m-\$400m by 1998. *Mark Dennis, Jerusalem*

Hyundai Motor expects 31% rise

Hyundai Motor, South Korea's largest vehicle maker, said it expected a net profit of Won180bn (US\$233m) in 1995 from Won136.8bn last year. The growth in net profit would be driven by increasing exports and new models at home, said Mr Kim Jong-hyok, general manager of Hyundai's export marketing team. He said total sales were expected to rise from Won9.650bn in 1994 to Won10.300bn this year.

Mr Chon Sung-won, Hyundai Motor president, said earlier that the company expected to export 460,000 vehicles this year, against 390,000 last year. The company's total production would be 1.3m units this year, after 1.15m last year. "We expect to achieve production of 2m units by the year 2000," he said. Mr Chon said the company's research and development spending was forecast to rise to 7 per cent of total sales in 2000, compared with 5 per cent now. *Reuter, Seoul*

Bajaj Auto lifts earnings

Bajaj Auto, India's largest manufacturer of scooters and motorcycles, recorded a 30 per cent rise in net profit to Rs1.75bn (US\$151m) for the first half to September 30. Group sales also rose sharply, from Rs9.93bn in the same period last year to Rs12.81bn. The company produced a total of 821,498 two- and three-wheelers in the period, up 18 per cent from 531,038 in the same period last year. It sold 613,979 vehicles in the last six months, up 18 per cent. Exports during the period were valued at Rs602.1m, against Rs43.2m last time.

Although Bajaj Auto had declared a net profit of Rs1.75bn, the company said it was using a slightly lower figure to calculate its earnings per share. This was to provide for any adjustments to tax paid by the company last year. The adjusted figure worked out at Rs1.75bn, giving earnings per share of 43.9 rupees on an annualised basis.

■ Arvind Mills, India's leading denim manufacturer, which belongs to the Lalbhai group of companies, recorded a fall in first-half profits. Net profit dropped 22 per cent to Rs50.7m (US1.55m), compared with the same period last year. The company said this was due to higher depreciation expenses, up 16 per cent to Rs20.5m. *AP-DI, Bombay*

Carter Holt reports 33% rise

By Terry Hall in Wellington

Carter Holt Harvey, the New Zealand forestry group, lifted earnings by 33 per cent to a record NZ\$27.1m (US\$17.7m) for the six months to September 30, helped by strong pulp and paper prices.

The price rises more than offset lower profits for the company's wood and building products divisions in both Australia and New Zealand, directors said.

The company, controlled by International Paper of the US, recorded an 82 per cent advance in earnings to NZ\$83m from its pulp and paper division before interest and tax. Average prices for pulp reached US\$85 a tonne, a 48 per cent increase on the

INTERNATIONAL COMPANIES AND FINANCE

New World Development fall disappoints investors

By Louise Lucas in Hong Kong

New World Development, the Hong Kong property-based conglomerate which recently spun off its infrastructure interests in a separate listing, yesterday reported a worse-than-expected 20.6 per cent fall in net profits, from HK\$4.3bn to HK\$3.4bn (US\$440m).

The decline was largely caused by a reduction in property sales. Group turnover fell from HK\$18.59bn last time to HK\$17.46bn.

Investors, who have been

selling the stock in recent weeks, yesterday marked the share price down 19 per cent to HK\$23.25. The blue-chip Hang Seng Index, which on Monday reacted badly to reported earnings from China Light and Power, the electricity supplier, tumbled 1.75 per cent yesterday to HK\$440m.

New World's earnings per share fell 20.2 per cent, from HK\$2.57 to HK\$2.05, on a fully diluted basis. The directors are proposing the final dividend be paid at 78 cents.

The sluggish property

market, which New World believed had yet to recover, had curbed its sales, although the progress of pre-sales at some developments was "satisfactory".

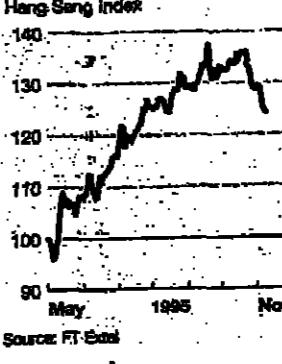
On the plus side, home buyers were focusing on the primary market, where discounts, perks and top-up mortgage loans were available, and prices were becoming more affordable, said Mr Henry Cheng, managing director. The residential market was reckoned to have fallen by between 20 per cent and 30 per cent from the peak last year.

However, the company did not mention its residential development in Discovery Bay, a largely middle-class enclave on Lantau Island. Analysts believe the company is still holding a substantial number of units, after pitching the price at a premium of about 24 per cent to similar flats on offer at the same time.

New World is one of Hong Kong's biggest investors in China and is active in commercial and residential developments, government housing projects and city core redevelopment.

New World Development

Share price relative to the Hang Seng Index



Source: FT Est

Gencor seeks a new crock of gold

SA mining house is moving away from its traditional base

Mr Brian Gilbertson, Gencor chairman, has concluded many deals much larger than this week's announcement of the sale of four gold mines to Randgold, but few can rival it for symbolic importance.

Divestiture on this scale from gold is without precedent in South Africa.

It underlines the gold mining industry's parlous circumstances, as well as signalling a new phase in the management of the mining houses which have dominated the South African economy since the discovery of the Johannesburg gold fields in the 1880s.

The big step Gencor has taken is to acknowledge that it has better ways of investing its time and money than supervising the graceful demise of ageing gold mines.

In itself, that may sound unremarkable, but it is a large step in an industry steeped in romance and history, where ceremonies marking 25 years service on the mines still remain an important annual event.

The mines are often in far-flung places without any physical, commercial or social infrastructure. The mining houses have had to provide these and in doing so develop towns whose existence is due to the presence of the mine.

So, for the good burgers of Buffelsfontein, Stilfontein, Grootvlei and Unisel, the four mines involved in the Gencor deal which involved taking Buffelsfontein and Stilfontein off Gencor's hands.

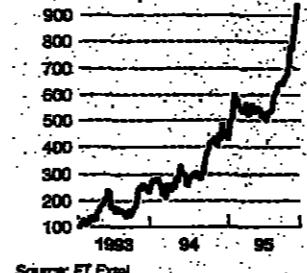
Mr Flack is buying Unisel and Grootvlei, with the intention of lengthening the life of two of his other mines, respectively Harmony and KRFM. His initiative was well timed because it came when Gencor had embarked on a merger of its gold interests.

However, his reasoning is difficult to fault. "Gold has let us down. Everything else has met the mission requirement of real growth. Gencor's core business is world-class ore bodies. We would rather get on and do the things that can make a difference to our bottom line."

In fact, the catalyst behind the deal was not Mr Gilbertson, but Mr Peter Flack, the chairman of Randgold, who over the past year has been responsible for breathing new life into the moribund mines run by the then Rand Mines.

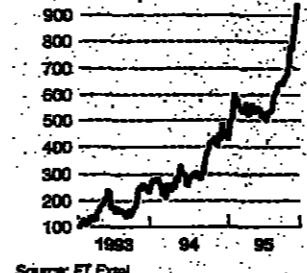
The two men have done business before. In 1993, Mr Flack took the faltering West Rand Cons mine off Gencor's hands.

Randgold



Source: FT Est

Gencor



Source: FT Est

the life and improving the profitability of the mines.

While gold is the current focus, the restructuring of Gencor is but one strand in Mr Gilbertson's efforts to have Gencor recognised as one of the world's leading natural resource groups.

Since taking over as chairman in 1992, he has made rapid progress.

First, Gencor unbundled, divesting almost entirely of its industrial investments. It acquired Billiton in 1994, the company which held the natural resource assets of Royal Dutch Shell, lifting its offshore presence. The same year it saw it acquire the coal interests of Rand Mines and in June this year announced Gencor and Lonrho planned to merge their platinum interests.

Gencor has been investing heavily in the Columbus stainless steel development, and the Alusaf aluminium project, two of the largest industrial undertakings the country has seen. Both represent an important break from the group's past of developing deep-level gold mines.

"The days of head office speaks and everyone else salutes – that is gone," says Mr Gilbertson.

Management is also being restructured, with the head office complement halved and the number of vertical management layers between the chief executive and the face worker cut to five or six, from 11.

Operations are being restructured through a range of initiatives, including a move towards continuous production and productivity-based remuneration, aimed at extending



Brian Gilbertson: 'gold has let us down'

Philip Gavith

TNT-Air NZ talks 'making progress'

By Nikki Tait in Sydney

TNT, the Sydney-based transportation group, and Air New Zealand indicated yesterday that talks about a "progressive sale" by TNT of its 50 per cent holding in Ansett, the Australian airline, to the New Zealand group were making headway.

They said an announcement could be made shortly.

But Mr Fred Millar, TNT's chairman, warned that the Australian airline was unlikely to make an operating profit in the current financial year.

Both TNT and Air NZ held annual meetings yesterday, and told their shareholders they had hoped to seal the share sale deal in time for the meeting.

Gencor has been investing heavily in the Columbus stainless steel development, and the Alusaf aluminium project, two of the largest industrial undertakings the country has seen. Both represent an important break from the group's past of developing deep-level gold mines.

"While 45 per cent of cash earnings last year came from outside South Africa, international shareholders still hold only 7 per cent of the group's stock. This is a gap Mr Gilbertson would like to close."

He wants to raise Gencor's profile in the international capital markets and speaks warmly of how RTZ and CRA tapped two capital markets in their recent merger deal.

"If we want to undertake these big deals, we can't afford to be viewed as an odd South African company in the emerging market index," he says.

Mr Gilbertson argues that international investors need to look at Gencor in terms of the quality of its assets, rather than where its head office is based.

Asked how he might close this gap, he replies, with an impish smile: "If I bought BHP [the Australian resources group] for example."

Even if spoken in jest, his reply is sufficient confirmation that Gencor's global plans are far from complete.

Philip Gavith

earlier this year between Air NZ and Ansett's other half-owner, Mr Rupert Murdoch's News Corporation.

The Australian government decided unilaterally in late 1994 to abandon moves to a trans-Tasman "open skies" regime. This denied Air NZ access to the Australian domestic market – which remains a duopoly between Ansett and the now-privatised Qantas.

Mr Millar warned yesterday that there was little chance of Ansett making an operating profit in the current year.

He blamed the poor 1994-95 results – which saw after-tax equity consolidated profits fall from A\$161.6m to A\$51.6m (US\$88.8m) – on marketing efforts by Qantas before privatisation.

Problems stemming from the new runway system at Sydney airport and the start-up losses in Ansett's international business, were other factors.

Ansett planned to acquire aircraft, especially wide-bodied aircraft, "to improve its competitive position and to cope with the continuing problems of Sydney airport". But the delays in acquiring such aircraft are likely to prevent Ansett making an operating profit this year.

By Nikki Tait

TNT announced first-quarter profits after tax but before abnormals of A\$840,000 (US\$61,000), a bottom-line profit for the first quarter were A\$27.5m, compared with A\$18.3m.

The figures for end-September are struck on an equity-consolidated basis. Revenues were up from A\$1.45bn to A\$1.61bn.

TNT did not break out the contribution from Ansett, but said that on a non-equity consolidated basis (stripping off the Ansett impact) its pre-abnormal profits would have risen from A\$4.97m to A\$12m.

"The equity consolidated results are affected by a large deterioration in the operating

profit of Ansett, but the consolidated results are pleasing," Mr Fred Millar, chairman, said.

After an abnormal surplus of A\$26.3m, compared with A\$5.1m a year ago, TNT's bottom-line profits for the first quarter were A\$27.5m, compared with A\$18.3m.

Mr Millar said problems with TNT's Spanish operations, as well as with Ansett, had put paid to a final dividend last year, and there would be no interim payment this time.

He said it was difficult to predict the situation at the end of 1995-96. But if negotiations over the sale of TNT's stake were successful, "the board might possibly be in a position to recommend resuming payment of ordinary dividends".

Telkom said 116.7m shares, or 12.5 per cent of those outstanding, had been taken up by Telkom's employees.

It said 21 state-owned institutions, including pension funds such as Bank Indonesia, Bank Nasional Indonesia, and insurance companies such as PT Aspek and PT Taspen, subscribed 373.3m shares or 4 per cent of the total. Telkom said they had agreed to keep the shares for two years.

Another 457m shares would be allocated to domestic institutions and individuals on a pooling basis, it added.

INTERNATIONAL COMPANIES AND FINANCE

AMERICAS NEWS DIGEST

Tax gain behind 37% surge at YPF

A big tax-related gain, higher crude volumes and a good downstream performance saw profits at YPF, Argentina's biggest oil and gas producer, surge 37 per cent to \$263m in the third quarter from a year earlier. Excluding a \$65m net gain, achieved by using federal bonds to pay tax liabilities as part of Argentina's 1994 tax moratorium, third-quarter profits were \$199m - 3.1 per cent higher than a year earlier.

Nine-month earnings rose 66 per cent to \$567m from the same period in 1994. Even treating this year's tax moratorium as extraordinary, nine-month profits were 44 per cent up on last year, at \$578m.

Results include \$67m in net second- and third-quarter losses from Maxus Energy Corporation of the US, which YPF acquired for almost \$800m earlier this year. YPF said it had already taken "a number of steps towards running Maxus more profitably". Administrative staff had been cut from 325 to 183.

Third-quarter operating income at Maxus was \$3m, on revenues of \$142m, but after deducting financial costs, other non-operating charges, income taxes and preferred dividends it posted a net loss of \$42m. YPF hopes to turn the unit round by early 1997. Mr Christopher Ecclestone, a broker at Interactions, remained sceptical about Maxus, but said the YPF results were good and that it was an attractive stock, trading at a price/earnings ratio of about seven.

David Pilling, Buenos Aires

Mexico rules on natural gas

North American companies said they would compete in Mexico's liberalised natural gas sector yesterday, as new rules were issued to complete the regulatory framework of the sector. Novocorp International, a subsidiary of the Canadian pipeline and energy company Nova Corporation, and San Diego Gas and Electric, a Californian company, said they would compete for concessions in the natural gas storage and distribution sector, which was opened to the private sector last spring.

Regulations to govern the relationship between private entrants and the state monopolies that control Mexico's national electricity grid and its petroleum and gas extraction industries came into force on October 1. The rules published yesterday determine customer requirements, bid procedures for concessions, and principles of open access for the natural gas industry.

Dr Kent Jesperson, president of Novocorp, said the Mexican natural gas industry had great growth potential. Although Mexico's proven reserves are similar to Canada's - about 70 trillion cubic feet - the country produces only a fifth of Canada's output. Furthermore, environmental regulations coming into effect after 1998 will require Mexico to substitute natural gas for fuel oil in many of the country's power plants.

Daniel Domby, Mexico City

Chilean bank pays off debt

Banco de A. Edwards has paid off its \$1.1bn pesos in subordinated debt, equal to about \$125m, to Chile's central bank. The Chilean bank raised the sum through a \$207m capital increase, most of that through a placement this week of American Depository Shares.

"We have been able to pay this thanks to the confidence of investors the world over," Mr Sergio de Castro, Banco Edwards president, said.

It became the third bank to cancel its debts with the central bank through an ADS placement, following Banco O'Higgins and Banco Osorno last year.

Reuter, Santiago

SNC-Lavalin ahead in term

SNC-Lavalin, the Canadian-based international engineering consultant and project manager, posted higher third-quarter earnings and its order book at September 30 stood at C\$1.8bn (US\$1.3bn), up from C\$1.4bn a year earlier.

Net profit for the latest quarter was C\$7.8m, or 50 cents a share, up from C\$7.2m, or 45 cents, a year earlier, on revenues of C\$225m against C\$183m. Engineering-construction provided 86 per cent of revenues.

Nine-month profit was C\$24.1m, or C\$1.83 a share, up 10 per cent from C\$21.5m, or C\$1.40, on revenues of C\$712m, up 10 per cent from C\$650m.

Robert Gibbons, Montreal

Starting up from scratch

Former Wellcome executive has set up an unusual group for anti-viral drugs, reports Daniel Green

Between 15 and 20 job applications a week land on the desk of Dr David Barry, chief executive of Triangle Pharmaceuticals. Not bad for a four-month-old company with just nine staff.

But then Dr Barry is swimming in a sea of highly qualified pharmaceuticals industry personnel, washing over Research Triangle Park, the North Carolina business park where Triangle Pharmaceuticals is based. They are the more than 500 former employ-

LeBow and Ichan plan to lift stake in RJR Nabisco

By Maggie Urry in New York

Details of an agreement between Mr Bennett LeBow's Brooke Group and Mr Carl Ichan to invest up to \$500m in RJR Nabisco stock have emerged in a filing with the Securities and Exchange Commission.

Mr LeBow is pressing the tobacco and food group to spin off its Nabisco food company, which he believes would result in greater stock market value for shareholders.

Mr Ichan has pledged his support to the Brooke Group's efforts.

RJR Nabisco hit back with a letter to shareholders condemning Mr LeBow and Mr Ichan's histories of corporate activity. It said a spin-off now could leave the company "entangled in litigation for years".

Brooke Group is soliciting support from other shareholders for a resolution which would "request and recommend" an immediate spin-off of RJR Nabisco's 80.5 per cent of Nabisco.

In January, RJR Nabisco floated a 19.5 per cent stake in Nabisco. RJR Nabisco has maintained that a rapid spin-off of the rest would not be in the best interests of shareholders.

Plainfiffs in cases relating to the tobacco side could argue that a spin-off on the food activity was a "fraudulent conveyance" as it could remove a possible source of cash for damages.

The SEC filing gives details of a pact between New Valley, an affiliate of Brooke Group and High River, a company owned by Mr Ichan, signed on October 17. Under the deal, the parties agreed that each... would invest up to approximately \$250m" in RJR Nabisco.

At the same time, New Valley sold 1.61m RJR Nabisco shares to High River for \$51m. Brooke Group has 4.29m RJR Nabisco shares, and High River owns 8.01m shares, together making 4.7 per cent of RJR Nabisco's ordinary shares, worth \$381m at yesterday's share price of \$82.50.

The agreement also provides that if one side wishes to terminate the pact, in certain circumstances, it would pay the other party \$50m.

The circumstances would include the sale by Brooke Group of Liggett, its tobacco business, to RJR Nabisco, or the sale by either side of its RJR Nabisco shares to RJR Nabisco.

David Barry: Triangle does not aim to discover new drugs

Dr Barry believes its employees' skills will give Triangle an edge.

He adds that there is unlikely to be a shortage of drugs to choose from. The company has already been approached by German and Japanese companies interested in being taken over by Triangle. Dr Barry's team is looking at six of them; another three are expected to be considered soon.

"We'll offer a free service to test potential AIDS drugs," he says. The only condition is that if the drug looks good, Triangle will have first rights to negotiate for its acquisition.

Beyond that, however, Triangle is a very unusual company. Unlike biotechnology companies, the standard model for a start-up is medicines, it is not trying to discover new drugs. Instead it plans to identify promising medicines and take them through the three main phases of clinical trials.

This is a risky business. Statistically, barely one in ten drugs entering Phase I trials makes it to market. However,

New formula, Page 15

News Corp falls despite strong TV growth

By Tony Jackson in New York

Third-quarter earnings from Mr Rupert Murdoch's News Corporation fell 5 per cent to US\$210m, as a strong performance from television and newspapers was more than offset by weakness in films, magazines and book publishing.

Operating profit from the US was up 6 per cent at \$221m, making up 78 per cent of the group total compared with 73 per cent the year before. Profits

from the Fox TV stations were up 30 per cent, largely as a result of acquisitions. During the quarter, the US authorities ruled that News Corp was entitled to own TV stations despite being a foreign company, clearing the way for acquisitions.

Profits at the Fox TV network were down because of lower ratings and fewer new programmes. Profits from the Fox film studios also fell.

In magazines, profits from TV Guide were down as a result of higher newsprint

costs and a fall in circulation after a 10 per cent rise in the cover price. HarperCollins, the book publisher, made lower profits because of the delayed launch of several titles.

In the UK, profits were 4 per cent lower at \$46m. Profits from newspapers rose 20 per cent. Advertising revenue was up 8 per cent with the strongest growth from The Times and News of the World. Cover price increases, after a price war with Mr Conrad Black's Telegraph group, had little

or no effect on circulation, the company said.

Profits from Australasia were down from \$28m to \$12m, chiefly because of higher start-up costs at Star TV, the Asian satellite channel. Profits from Australian newspapers were flat.

Profits from BSkyB, the 40 per cent-owned UK satellite channel, were up 36 per cent, with subscribers up 3 per cent from three months before.

However, profits were down sharply at Ansett, the 50 per

cent owned Australian airline, and profits from associates overall fell 27 per cent to \$57m.

Across the group, profits from newspapers were up 4 per cent at \$80m on sales up 8 per cent. TV profits were up 67 per cent at \$82m on sales up 26 per cent. Magazine profits were down 11 per cent at \$48m on sales up 6 per cent. Film profits were down 47 per cent at \$30m on sales 8 per cent lower, and book publishing profits were down 13 per cent at \$12m on sales down 8 per cent.

Michelin to top up US pension funds

Michelin is to pay \$380m in cash into its US pension funds before the end of the year, making it the latest in a line of companies in cyclical industries which have taken advantage of stronger cash flow to tackle severe pension deficits, writes Richard Waters in New York.

The French tycoon said it would also merge the US plans, for employees of Uniroyal Goodrich in the US, with its main Michelin plan, which is already fully funded.

Of the company's eight pension funds in the US, five are underfunded, according to the Pension Benefit Guarantee Corporation, which administers the US insurance fund for pension benefits. At the end of 1993, the eight plans had assets of \$540bn (\$35.4bn) of assets under management and total assets of about DM340bn.

The attractions for Oppenheimer of a deal with Vereinsbank lie in the increased capital it would have, making it better able to compete in the US markets. It would enable the group to expand its range of activities, and bring it a list of potential corporate finance clients from Vereinsbank's customers.

Vereinsbank would benefit from the deal. "To me, it's another touch of German bank megalomania," said Mr Stephen Lewis, banking analyst at Union Bank of Switzerland in London. "They should stick to building up their business in Germany and go for niches abroad to help their domestic business."

Under Mr Albrecht Schmidt, its chairman, Bayerische Vereinsbank has been keen to build up its investment banking business. It has invested heavily in new technology in recent years and plans next year to set up a direct bank, along the lines of those formed by some of its German and foreign competitors.

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Lex, Page 16

Vereinsbank leads Oppenheimer race

By Andrew Fisher in Munich and Maggie Urry in New York

Bayerische Vereinsbank has emerged as the leading candidate to acquire Oppenheimer, the US financial services partnership, in a deal which could be worth more than \$500m and which marks an aggressive continuation of German banks' drive into international investment banking.

Oppenheimer Group owns Oppenheimer & Co, the brokerage, investment banking and fund management firm. It also has a 34 per cent stake in Oppenheimer Capital, which manages \$32bn in pension and other institutional funds, and runs the Quest For Value mutual funds. The group is no longer associated with Oppenheimer Management, a mutual fund company.

The Munich-based bank yesterday confirmed it was in discussions with Oppenheimer and studying possible co-operation. Oppenheimer also confirmed the talks were "ongoing". Both declined to comment further or name a possible price.

Analysts said an agreement could be concluded in a few weeks now that other banks

appeared to have bowed out. Those involved in the talks are said to be keen to have them completed by the end of this year.

Early this year, Oppenheimer had been in talks with ING of the Netherlands, until ING acquired Barings of the UK. Later, Germany's Commerzbank and National West-

ernernbank would benefit from the deal. "To me, it's another touch of German bank megalomania," said Mr Stephen Lewis, banking analyst at Union Bank of Switzerland in London. "They should stick to building up their business in Germany and go for niches abroad to help their domestic business."

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Lex, Page 16

A Forthcoming Opportunity to Invest in Russian Oil Companies.

The Russian Federal Government, through the Russian Federal Property Fund (RFFI), is to make available some of its remaining shareholdings in seven major privatised oil companies.

The oil companies are Onoko, Sibur, Sidanko, Sibneft, VNK, Vostsibneftegas and Yukos.

The shareholdings will be sold through specialised auctions to be held by the RFFI immediately with the sales expected to be completed by the beginning of December 1995.

Investment in Russia will benefit from the increasing progress of economic stabilisation, enterprise restructuring, development of the capital markets, and legal and regulatory reform.

Further information can be obtained from: Russian Cash Auction

Information Service - Fax:

5 2 2 0 7

Take the time to look at investment opportunities in Russia.

THIS INFORMATION IS PROVIDED BY THE STATE PROPERTY COMMITTEE OF THE RUSSIAN FEDERATION, THE RUSSIAN FEDERAL PROPERTY FUND, AND THE RUSSIAN PRIVATISATION CENTRE.

COMPANY NEWS: UK

Royal Navy frigate order vital for Vosper jobs

By Tim Burt

Vosper Thornycroft Holdings, the warship builder, yesterday warned it would cut its shipyard workforce by more than a third if it failed to win part of a £400m order for Royal Navy frigates.

The company, which is competing against GEC for the contract to build three Type 23 frigates, said it would be forced to lay off 500 workers next year if the Ministry of Defence awarded the business to its Yarrow rival.

"It would be a blow to competition in warship building if GEC took the

entire contract," said Mr Martin Jay, chief executive.

That message was echoed by Lord Wakeham, who became Vosper's chairman in July - the first former government minister to accept such an appointment following publication of the Nolan committee report on standards in public life.

The former energy minister and leader of the Lords said he told defence secretary Mr Michael Portillo in a recent meeting: "The best way of pricing warships for the Royal Navy is by a process of competitive tendering and that means there have to be two competitive

warship builders."

Moreover, the company said failure to win part of the Type 23 order - expected before Christmas - would lead not only to redundancies among its 1,400 shipyard workers, but would undermine its ability to bid for the Common New Generation Frigate, a collaborative warship programme between Britain, France and Italy. Vosper has already laid off 100 short-term workers.

Nevertheless, shares in the company rose 5p to 85p yesterday after it announced an 11 per cent increase in first half profits and said export prospects were buoyant.

Pre-tax profits rose from £10.3m to £11.4m on reduced sales of £114.5m (£128.6m) in the six months to September 30, of which exports represented 74 per cent.

Payments for current warship production helped lift operating profits from £6.74m to £7.48m, and Mr Jay said further orders of £450m would sustain the group until the turn of the century. The company, he added, was also hopeful of sharing in new contracts from Brunei, Kuwait, Saudi Arabia and the UAE.

It has also reduced its reliance on core warship activities by enjoying increased contributions from its

so-called developing business, which made profits of £2.2m.

In the medium term, Mr Jay said, Vosper aimed to double profits in that division by seeking contracts to operate MoD services such as the Naval Recruiting and Training Agency and the Directorate of

Marine.

Earnings per share rose from 21.6p to 23.9p and the interim dividend is increased to 6.8p (6.1p).

COMMENT

Failure to win an order for at least one of the Type 23 frigates would be a blow to Vosper, but not a mortal

ADT gets \$340m for auctions

By Tim Burt

ADT, the Bermuda-based electronic security and car sales company, yesterday said it was selling its UK and European vehicle auction group for \$340m (£221.5m).

The sale follows a six month auction process, which ended when the company accepted a bid from a management buy-out team led by Mr David Hammond, deputy chairman of ADT, and Mr Thomas Gibson, chairman and chief executive of ADT Auctions Group.

Mr Michael Ashcroft, ADT group chairman, said it would now concentrate on its electronic security interests.

The company decided to sell the vehicle auction business, which made operating income of \$37m in the year to March 1995, because it needed investment to expand in continental Europe.

Although ADT is the market leader in Britain, the parent company felt that spending demands elsewhere in Europe threatened to dilute funds earmarked for the expansion of its security operations.

The group yesterday announced plans to bolster those operations by paying \$35m for Alert Centre, the US electronic security and central monitoring service.

It is paying \$3.5m a share for Alert, which boasts 131,000 mainly residential customers in Texas, Florida and Georgia.

Announcing third quarter figures yesterday, ADT said operating income in the electronic security division rose from \$44.7m to \$48.1m. It contributed the bulk of total operating income of \$80.6m (£53.7m) on sales of \$379.8m (£240.3m) in the three months to September 30.

The division overshadowed the \$1.1m (£0.55m) contribution from the vehicle auction side, of which the European subsidiary made \$9.9m (£6.1m).

Overall net income, however, fell from \$27.3m to \$19.4m following interest payments of \$23.4m (£19.2m) and an \$8m extraordinary charge to cover deferred costs relating to a credit facility.

Third quarter earnings per share rose from 18 cents to 21 cents before extraordinary items.

ADT shares rose 5p to \$35.

New company plans £5m fund raising to pay for first UK acquisition

Ex-Lands proposes golf demerger

By Simon London, Property Correspondent

A new company which plans to take advantage of the depressed UK golf industry is being demerged from Ex-Lands, the property company run by brothers Robert and Graham Bourne.

Shareholders will be given one share in Clubhaus - which has interests in six golf courses in Germany, France, Belgium and the UK - for every Ex-Lands share.

The new company, which aims to be valued at about £20m, plans to raise £5m through a placing and open offer to finance its first UK acquisition.

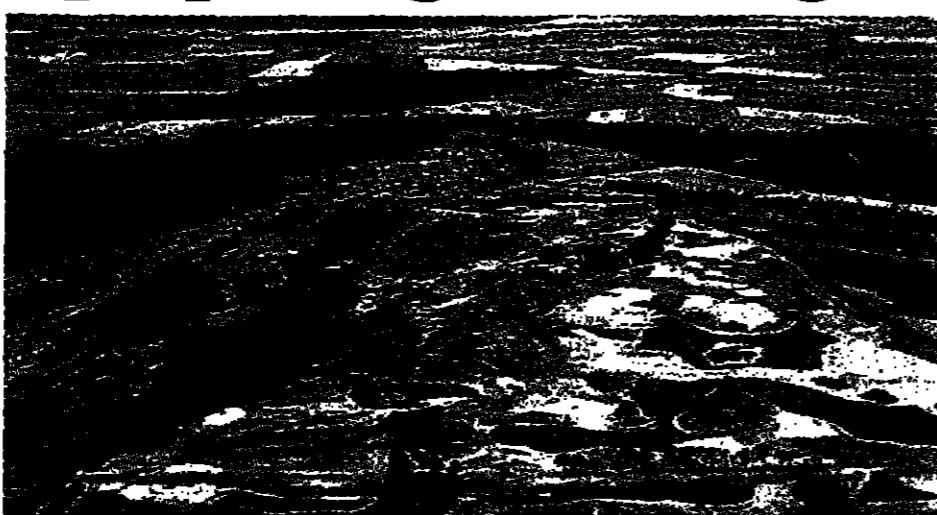
Clubhaus is paying £2.5m for the Dukes Dene golf club in Surrey. The club is being acquired from the receivers to the Japanese company which built the course.

Mr Robert Bourne, who will be chief executive of Clubhaus, said it had cost at least £15m to build the course.

"Golf is a growth business, the problem was the supply of new courses. Too many courses were built without sticking to basic rules about location and cost. This presents us with a tremendous contra-cyclical opportunity."

Clubhaus was formed in 1990 as a joint venture with IMG, the sports management company headed by Mr Mark McCormack. Ex-Lands took full control of the company last year.

The company hopes that fol-



The new Liddersburg course with 15 hectares of lakes

lowing the demerger Clubhaus said that the deal fitted with Ex-Lands' strategy of buying high yielding properties, which could be improved, in locations with redevelopment potential.

Pre-tax profits in the year to June 30 for the Ex-Lands group including Clubhaus slipped from £1.2m to £1.03m.

Following demerger, Ex-Lands will be run as a pure commercial property company, under Mr Graham Bourne, chief executive.

Yesterday the company announced the acquisition of an office and retail property at Luton Circus in the City of London for £5.9m.

The building has more than 100 tenants and yields in excess of 17 per cent at the purchase price.

Touche Ross, the accountancy firm, acted as joint advisers in the demerger.

Touche's involvement is the second illustration within a

week of the penetration of accountancy firms into an area traditionally dominated by merchant banks. Last week KPMG advised Rubicon Group, the precision engineering company, on its acquisition of Calder Group.

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Rothschild to stay independent

By John Gapper, Banking Editor

Sir Evelyn Rothschild, chairman of N.M. Rothschild, the family-owned merchant bank which formerly held 27 per cent of broker Smith New Court, has renounced his right to nominate to the board of the bank independent.

Sir Evelyn said the Rothschild family shareholders "intended to retain control" of Rothschild's Continuation Holdings, their Swiss holding company, and "remain firmly committed" to the independence of the group.

His statement is thought to follow an approach by National Westminster Bank to take a stake in Rothschild. Although this possibility is left open, Sir Evelyn is not thought to want to sell a minority stake.

Rothschild had discussions with a number of investment banks over the distribution of securities following the purchase of SNC by Merrill Lynch. SNC previously acted as the broking arm of Rothschild on international equity deals.

NatWest's initiative is thought to have been part of its discussions with Rothschild over distribution. However, Sir Evelyn is thought to be opposed to any dilution of family control of Rothschild.

NatWest Markets, the investment banking arm of NatWest, has been seeking a way of strengthening its advisory and equity underwriting business in the UK. Its approach to Rothschild is thought to be part of that effort.

A year ago the group appointed administrators to Travers Morgan, the UK-based

Nynex claims success for discount pricing

By Christopher Price

Nynex CableComms, the UK's second biggest cable company, yesterday said its discount telephone pricing was producing strong gains in subscribers, although the average revenue per customer had declined.

Pre-tax losses increased 51 per cent to £7.5m for the nine months to September 30. Turnover more than doubled to £57.1m. Both were in line with analysts' expectations.

Revenues from residential telephones more than doubled to £24.2m.

Telephone revenues doubled to £26.4m, although the penetration rate - the level of subscribers against the number of

homes passed by cable - declined from 19.5 per cent at the year-end to 18.8 per cent. The churn rate - the number of subscribers that do not renew - fell from 31.1 per cent to 30.3 per cent in the same period.

Mr Graham Roberts, group treasurer, admitted that the penetration rates were disappointing.

"This isn't a problem just for us but for the whole industry and it's something we have to improve on." He said the company's network was now 40 per cent laid and that it was on schedule to complete the system - which will cover approximately 2.7 homes - by the end of 1997.

Huntingdon cuts losses despite smaller sales

By Peter Pearce

Operating profits for the continuing businesses of Huntingdon International Holdings, the life sciences group, rose almost 40 per cent in the 12 months to September 30, while at the pre-tax level, losses were reduced from £7.1m to £2.7m.

Mr Christopher Cliffe, chief executive, said the group was now "cleaned up," had reduced itself to a life sciences core, putting its difficulties behind it. However, he said HII would not pay a dividend until March April 1997 at least.

A year ago the group appointed administrators to Travers Morgan, the UK-based

consultancy, and in May it sold HKE, its engineering and environmental services business. There were exceptional losses on these two divestments of £70.3m last time and £28.1m this time.

The group is changing its year-end from September 30 to December 31. Mr Cliffe said most of the pharmaceuticals industry had a December year-end.

Revenues in the 12 months were £51.9m (£16.2m); losses per share were 26.8p (0.70p). In the fourth quarter there were pre-tax profits of £1.67m (losses £72.4m); operating profits of £21.8m (losses £1.95m); and earnings of 0.014p (losses 0.72p).

Investment Trusts	NAV (p)		NAV/Share		Current payment (p)	Date of payment	Dividends forthcoming	Total for year
	NAV	Share	NAV	Share				
Planning for Retirement - 5 mths to Sept 30 *	322.4	(412.7)	1.17	(1.34)	0.77	(0.89)	-	-
Entertainments - Yr to Sept 30 *	178.5	(147.1)	0.294	(0.223)	1.73	(1.31)	1.2	1.2
German - 6 mths to Sept 30	122.1	(112.1)	0.272	(0.201)	0.7	(0.51)	-	0.2
Lowland - Yr to Sept 30 *	325.63	(284.79)	2.05	(2.33)	11.27	(9.92)	6.5	10

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. *After exceptional charge. 10m increased capital. £1m currency. 10m comparative to March 5 1994. *After exceptional credit. 4th quarter

dividend.

Investment Trusts NAV (p) NAV/Share Current payment (p) Date of payment Dividends forthcoming Total for year

Planning for Retirement - 5 mths to Sept 30 * 322.4 | (412.7) | 1.17 | (1.34) | 0.77 | (0.89) | - | - |

Entertainments - Yr to Sept 30 * 178.5 | (147.1) | 0.294 | (0.223) | 1.73 | (1.31) | 1.2 | 1.2 |

German - 6 mths to Sept 30 122.1 | (112.1) | 0.272 | (0.201) | 0.7 | (0.51) | - | 0.2 |

Lowland - Yr to Sept 30 * 325.63 | (284.79) | 2.05 | (2.33) | 11.27 | (9.92) | 6.5 | 10 |

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. *After exceptional charge. 10m increased capital. £1m currency. 10m comparative to March 5 1994. *After exceptional credit. 4th quarter

dividend.

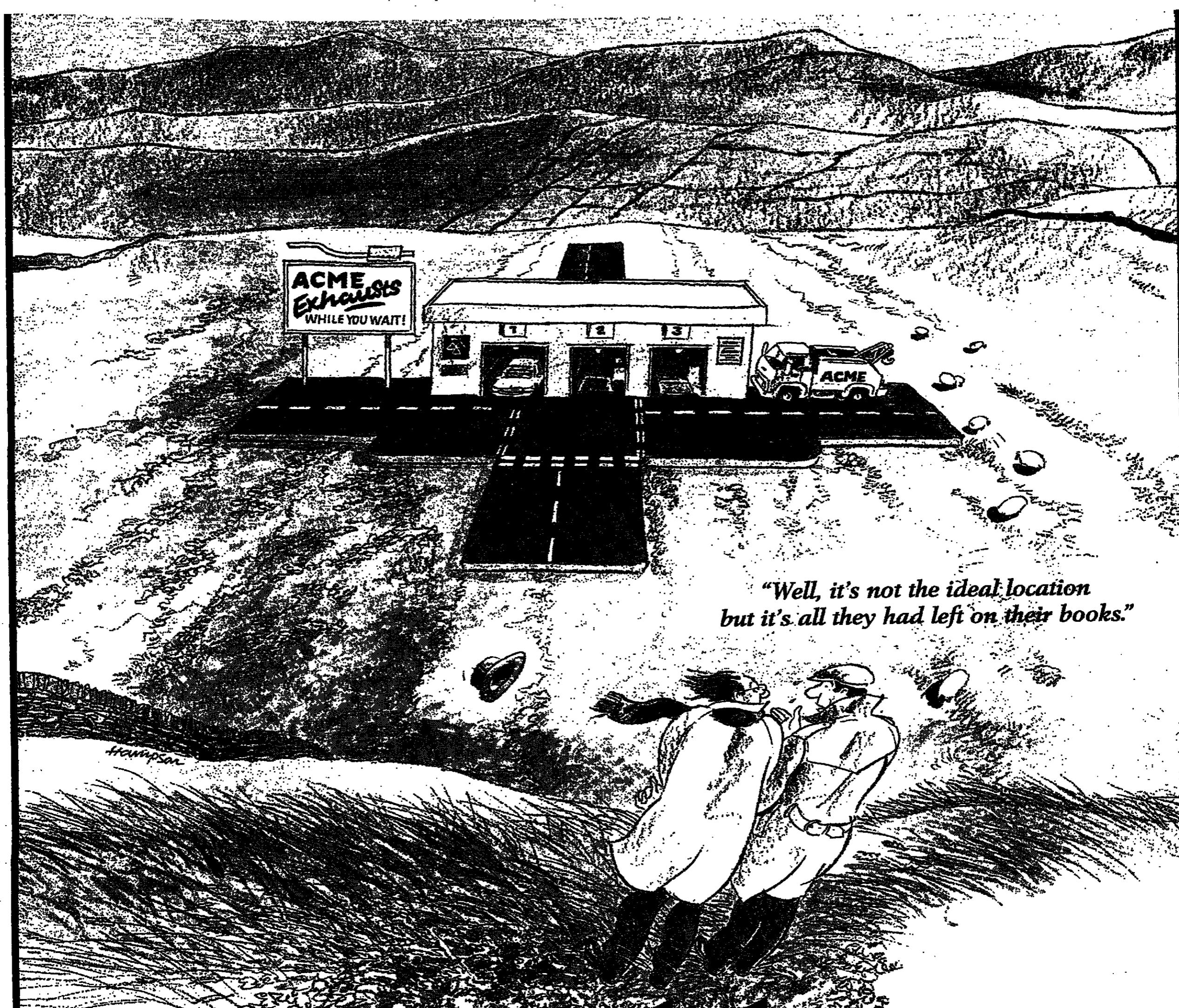
Investment Trusts NAV (p) NAV/Share Current payment (p) Date of payment Dividends forthcoming Total for year

Planning for Retirement - 5 mths to Sept 30 * 322.4 | (412.7) | 1.17 | (1.34) | 0.77 | (0.89) | - | - |

Entertainments - Yr to Sept 30 * 178.5 | (147.1) | 0.294 | (0.223) | 1.73 | (1.31) | 1.2 | 1.2 |

German - 6 mths to Sept 30 122.1 | (112.1) | 0.272 | (0.201) | 0.7 | (0.51) | - | 0.2 |

Lowland - Yr to Sept 30 * 325.63 | (284 |



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COMPANY NEWS: UK

Tobacco surge helps BAT rise 22%

By Roderick Oram,
Consumer Industries Editor

Boosted by an "exceptional performance" from cigarette sales, BAT Industries yesterday reported a 22 per cent increase to £1.8bn in pre-tax profits for the nine months to September 30. Financial service profits were also well ahead.

The better-than-forecast tobacco result helped BAT's share close up 14p at 517p. Analysts nudged up their full-year forecasts to about £2.35bn, a rise of 30 per cent from a year earlier when BAT took a £190m restructuring charge.

Tobacco trading profits were up 34 per cent at £1.21bn. Volumes rose 30 per

cent, reflecting a rate of 16 per cent in the third quarter against 22 per cent at the half year. Organic growth accounted for roughly half and acquisitions such as American Tobacco and new ventures in eastern Europe the balance.

"Even after the acquisitions fall out of the comparisons, BAT will still enjoy volume growth of 4 or 5 per cent a year after 15 years' static performance," one analyst said.

BAT's share of the world cigarette market rose about 1.5 percentage points to 12 per cent with strong performances in Brazil, eastern Europe and the US among other markets. BAT is seeking more investment opportunities in east-

ern Europe. It believes Poland will be next to decide on foreign investors, and should do so by the year end.

Trading profits at Brown & Williamson in the US rose 60 per cent to £164m on volumes up 50 per cent. American Tobacco contributed roughly two thirds of the improvement.

The blackest spot was Australia, gripped by a prolonged price war. W.D. & H.O. Wills, BAT's 67 per cent-owned subsidiary, reported a nine month loss of £8.5m against a profit of £24m. Its market share was down about 5 per cent, compared with far steeper falls for many of its competitors.

Earnings per share were 35.6p, up 16 per cent.

CMG forecasts at least £19.5m for full year

By Paul Taylor

Computer Management Group, the European computer services concern which plans to float simultaneously in London and Amsterdam on December 1, expects to achieve a sharp increase in pre-tax profits this year.

The group, which issued its pathfinder prospectus yesterday, has also extended its original plans for a placing with institutional investors to include an intermediaries offer.

The offer, which will include 30 new shares aiming to raise about £7.5m for CMG, is expected to total between £40m and £50m, and will value the group at about £160m. Existing shareholders include 1,800 out of the 2,600 employees.

CMG, founded in 1984, is one of the oldest and most consistent performers in the computer

services sector. Yesterday it forecast pre-tax profits of not less than £19.5m for 1995. The previous year it reported £14.1m on turnover of £146.3m.

After flotation expenses of £1.7m, the directors forecast pre-tax profits of not less than £17.8m for the full year, compared with £8.64m at the interim stage.

Mr Cor Stutterheim, chairman, said the group was "well placed to take advantage of the growth prospects in the European IT services market". The flotation would raise CMG's market profile and provide access to capital markets if needed to help finance acquisitions.

He emphasised that the group would continue to focus on its existing customers, on "repeatable" business in its consultancy, systems develop-



Trevor Hanmer
Cor Stutterheim (left) chairman, with Gerard Lucassen, managing director; will continue to focus on existing customers

ment and advanced technology solutions, operations, and on "recurring revenue" in its processing services and facilities management operations.

CMG operates mainly in the Dutch, British and German markets and has focused on the finance, telecommuni-

cations, public sector and facilities management sectors. Kleinwort Benson is adviser and sponsor to the London listing and ABN Amro Hoare Govett is sponsor to the Amsterdam listing.

The shares are expected to be priced on November 30.

INTERIM RESULTS FOR SIX MONTHS TO 30 SEPTEMBER 1995

Building Businesses

"The first half of the year has seen a good operational performance from the company. We have achieved sound financial results, while at the same time developing our existing business and successfully completing a major acquisition." MURRAY STUART, CHAIRMAN

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UK and Europe sales lift aids Electrocomponents

By Christopher Price

Strong demand for electronic components in the UK and continental Europe helped Electrocomponents, the catalogue distribution group, raise half-year pre-tax profits 18 per cent from £35.5m to £41.9m.

Turnover increased 19 per cent to £257.3m for the six months to September 30. The company also announced its first acquisition in east Asia, paying £1.6m for a distribution group in Singapore.

Operating profits in the RS catalogue business in the UK rose 14 per cent to £37m on sales 16 per cent higher at £206m.

Mr Bob Lawson, chief executive, said that the UK business was benefiting from the export-led recovery in the economy.

"Behind the overall positive economic picture, we have increased the range of products, widened our geographical coverage and introduced additional services for customers."

In the rest of Europe, operating profits doubled to £1.6m on sales 42 per cent ahead at £45.9m.

There were significant investments to improve capacity in the German and Italian distribution centres, while the



Bob Lawson: "increased the range of products"

Earnings per share rose 18 per cent to 6.6p. The interim dividend is raised 23 per cent to 2p.

Mr Roy Cotterill, chairman, said although there was evidence of economic slowdown in some markets, the company looked forward to continuing growth in the second half.

COMMENT

Having consolidated its position in the UK distribution market, Electrocomponents is setting its sights on Europe and beyond. The high margins the group enjoys in the UK are not yet being matched overseas and the company will have to invest steadily to achieve that. It has the resources to do so - more than £250m at the last count - and is not resting there, also eyeing the fragmented Asian market.

The investments of £16m during the year included £8.2m for the construction of a distribution centre at Nuneaton, Warwickshire, of which the second phase is due to become operational next summer. Extra expenditure was also put into increasing inventory levels and widening the stock range as part of the group's strategy to improve its service to customers.

Dividend policy concern undermines British Gas

By Robert Corzine

Mr Richard Giordano, chairman of British Gas, must rue the day last autumn when he announced that "future dividend growth should be possible".

This week investors have watched the company's shares fall to a three-year low as uncertainty has increased over its future performance in a competitive British market.

The yield has increased to nearly 8 per cent, twice the market average and a level which some suggest discounts a dividend cut.

Mr Robert Laurence, a director, said gearing would have crept to an uncomfortable level if the acquisition had been financed only with debt.

But is a cut likely? In September, with the interim results, Mr Giordano said: "It is the board's intention to maintain the final dividend for 1995" in spite of "pressure on our dividend cash cover".

Most analysts believe the 14.5p pay-out is secure for this year, but opinion is divided about the outlook for 1996.

Although the company's dividend cash cover formula is under pressure because of increased competition and lower gas demand, it would be a surprise if the company reacted with such a radical step on the final dividend.

"A yield of 7 per cent to 8 per cent says there will be no growth," said Mr Paul Spedding at Kleinwort Benson. "A 9 per cent yield says the

dividend is in danger."

In recent years only two big UK energy companies, British Petroleum and Lasmo, have cut their dividends. In both cases the companies did not have the earnings to cover a full pay-out. British Gas, by contrast, has the advantage of a strong balance sheet.

"This year they are okay," said Ms Irene Himonis at Société Générale Stratus Turnbull in London. "But next year is up in the air. Nothing can be ruled out."

Analysts also believe any early action to alter the dividend could call into question the credibility of the management if it is too closely identified with last year's dividend announcement to change course suddenly.

A pre-emptive cut "would make them look like mugs," said one analyst yesterday. Such an action would be tantamount to telling shareholders that the board had "lost control of its own destiny" and "had given up trying to resolve the company's problems".

Analysts note that the biggest financial pitfall facing British Gas, such as its undetermined liabilities over long-term gas contracts with North Sea producers, will emerge only over time. Even if the contracts issue does put British Gas's survival in jeopardy, "it will have a lingering

death over five to six years," said one analyst.

Any pre-emptive cut would also result in intense pressure on Mr Giordano, who is closely identified with the progressive dividend policy, to resign.

Opinions were divided, however, on what the company might do next year.

Two issues dominate. The first is the take-or-pay contracts, requiring British Gas to pay producers for gas it no longer has a market for.

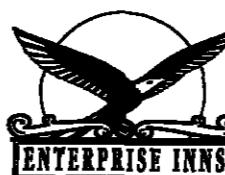
The second is the price review by Ofgas, the industry regulator, on TransCo, the pipeline division, which accounts for the bulk of earnings.

Some analysts say a harsh review, coupled with limited success in re-negotiating the contracts, would be enough to force the company to reverse its dividend policy.

Others think the contracted issue alone will determine the fate of the dividend. "If they get a smooth renegotiation then the dividend will not be under threat," said one observer. "If not then the present policy is unsustainable."

The two issues are unlikely to become clear until next spring at the earliest. And that means British Gas may wait until it reports first-half earnings next September to unveil any dividend policy changes.

This announcement appears as a matter of record only.



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COMPANY NEWS: UK AND IRELAND

Scottish tots up nearly £60m in bid costs

By David Wighton

Scottish Power's hostile £1.1bn bid for Cheshire-based Manweb cost the two electricity companies nearly £60m, although Scottish said yesterday it had not been able to work out the final defence bill.

Scottish took control three weeks ago and Mr Ian Robinson, Scottish Power's chief executive, said the company had been surprised at the state of Manweb's accounts. However he stressed that there had been no other "unpleasant surprises or black holes. We are confident we will deliver the anticipated benefits for our shareholders."

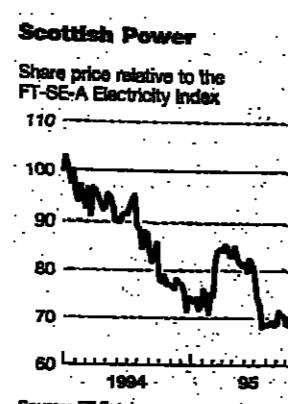
Scottish Power's bid expenses amounted to £28.5m, he said, and the defence costs would be less than £20m.

The Glasgow-based group also revealed Manweb had shed 1,000 jobs, a quarter of its workforce, during the bid. On one Friday, almost 500 staff left. "That demonstrates that it was not an efficient organisation," said Mr Robinson.

Integration costs and potential cost savings were yet to be assessed. The group would give a further update in January.

Scottish Power's comments on the aftermath of the bid accompanied its announcement of a 4 per cent rise in pre-tax profit to £125m in the six months to September 30. Earnings per share also rose 4 per cent to 11.4p, and as the company promised during the bid, the interim dividend rises 14 per cent to 5.17p. The final dividend will rise by the same amount, for a total of 15.5p and the aim will be to sustain real dividend growth of 5 to 6 per cent a year.

Operating profits rose 6 per cent to £38m, on turnover 6 per cent higher at £776.9m. Profits from generation and first and second tier electricity sales rose by 54m, but the sea-



sonal loss from wholesale trading in England and Wales was £2m higher. Net profit rose to £2.7m (£26.6m) after the earlier purchase of Manweb stores. There was a strong cash inflow before taking the purchase of £183m of Manweb shares into account. Gearing is forecast to be not more than 75 per cent on March 31.

COMMENT

As the take-out price of regional electricity companies continues to mount, the terms of Scottish Power's acquisition of Manweb look still more of a bargain. The deal will enhance earnings next year, helping to keep up the momentum ahead of the upgrade of the transmission link with England and Wales in late 1997. This will significantly increase the available market for Scottish Power's relatively cheap and under-utilised power stations. However, Manweb increases the proportion of profits coming from distribution and raises the regulatory risks. In addition, Scottish Power's low earnings cover means its dividend growth is currently slower than, say, National Power, justifying the higher prospective yield of 5.4 per cent.

Operating profits rose 6 per cent to £38m, on turnover 6 per cent higher at £776.9m. Profits from generation and first and second tier electricity sales rose by 54m, but the sea-

Finn's tune takes time to strike the right chord

Roderick Oram looks at the new managing director of Guinness's plans for United Distillers

promise a quick return."

The market's verdict on the new managing director's plans was swift: Guinness's shares dropped 5 per cent in two days. "He was playing all the right tunes," one analyst said, "but it will take time to turn them into profits."

After five years' flat profits from Guinness and its international competitors such as Grand Metropolitan, Allied Domecq and Seagram, the market was preoccupied with the

acquired companies. It still needs a lot of work to turn it into an efficient, tightly managed global company.

Moreover, drinks producers who had enjoyed spectacular profits growth in the late 1980s need to find new ways to encourage the more conservative consumers of the 1990s to turn to spirits or trade up to more expensive brands.

Mr Johnson said prices should show steady improvement and Guinness, often seen as the industry's price leader, would take every opportunity to push them higher. But many listeners took that to mean prices were unlikely to keep pace with inflation.

The most optimistic analysts, who thought a stronger recovery was under way, cut their profit forecasts.

Allied Domecq suffered the same fate yesterday after its year-end results presentation.

"I think we gave a very honest assessment of our strong points and weak points," Mr Johnson said. "We didn't

increase its share of existing drinkers, capture a large share of the young adults whom the industry hopes to encourage to switch to spirits from other alcoholic drinks, be the dominant supplier in emerging markets and build a 'world class sales capability'."

The processes focus externally on brand management, customer support and product supply and internally on finance, personnel and business development. A recurring theme is that profits will be derived by new products, more effective marketing, and more efficient sales and distribution.

New products tested on Monday included what UD claimed were the first black and blond Scotch whiskies, Loch Dhu and Jackson's Row, a bourbon liqueur, ready mixed drinks such as Bell's Scotch and Cola or Dark and Stormy (Australian rum and cola) and Ginzeng (gin flavoured with ginseng).

A man who likes to enumerate his bullet points, Mr Johnson told the internal and external audiences that UD had "four strategic imperatives", "three principal processes" and "three enabling processes".

Strategically, UD intends to



Finn Johnson: Likes to enumerate his bullet points

increase our products even at a higher price. New whiskies such as a line of rare malts will be another way to differentiate premium brands.

In emerging markets, we always win when we invest early and strongly in the on-trade to build the image of brands. Mr Johnson admits,

though, that UD is having to play catch-up with some of its competitors in eastern Europe. Mr Johnson believes UD's advertising spend needs to rise strongly to get brand messages through to consumers swamped by an ever-rising tide of marketing. The cost implications of that worried analysts a bit.

To improve distribution, UD took a £20m charge last year to rationalise operations. Europe, for example, was served by 14 wholly owned subsidiaries and seven joint ventures, each with its own warehousing, distribution, financial systems and terms of trade. Typical of the changes is that back office and distribution for the Portuguese market are now done out of Spain.

It is hard to compare UD's operations with its competitors but analysts' broad verdict is that GrandMet started a little earlier and Allied Domecq a little later on similar streamlining. The verdict on Seagram is more mixed. It gets high ratings in some countries but is dogged by a reputation for inconsistency.

All four also preach the same gospel on products, brands, marketing and distribution. The one thing in UD's favour, however, appears to be Mr Johnson himself. "UD has always known what it wanted to do," one analyst said "but now they've got a man who will make sure they do it."

Greencore settles with former chief executive

Greencore, the Irish food group, has settled a four-year legal battle with Mr Chris Comerford, its former chief executive.

The company is to write back £1.1m of a £4.05m provision made in 1991 against the cost of the legal action.

The shares gained 10p to 51.5p following the settlement, reached early yesterday prior to a full hearing of the dispute in the Irish High Court.

There had been concern that information damaging to the company would have emerged during a protracted court case.

Greencore is being investigated by the European Commission over allegations of price-fixing in the European sugar industry in the 1980s.

Mr Comerford resigned from Greencore in September 1991 after it was revealed that he had claimed an interest in a company that had benefited from dealing with Irish Sugar.

Lyons Irish advances despite tough market

By David Blackwell

Lyons Irish Holdings, which has more than 60 per cent of the Irish tea market, reported better profits and sales in spite of tough market conditions.

The group is 75 per cent owned by Allied Domecq and has changed its year end from March to August in line with its parent.

Since merging in March 1994 with Domecq, the Spanish drinks group, Allied has been selling off its food business to focus on spirits and other drinks. In summer it sold its Tetley tea and coffee business to a management buy-in for £190m.

Among buyers thought to be interested in Lyons Irish is Allegro, a private Dublin-

based food distribution group with several institutional shareholders. It is understood to be interested in a stock market listing.

Lyons Irish announced pre-tax profits for the 24 weeks to August 19 of £64.1m (£4.22m), against £63.6m last time. Sales from continuing operations were £612m (£611.8m).

Profits for the 76 weeks to August 19 were £612.8m on sales of £537.9m. In the previous 52 weeks profits were £62.8m on sales of £529.9m.

The group, which has about £628m cash, received £4.23m of interest in the 76-week period.

The board is proposing a final dividend of 5p, taking the total for the 76 weeks to 16p (10.4p).

PUBLIC WORKS LOAN BOARD RATES

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Over 1 up to 2	6%	6%	6%
Over 2 up to 3	6%	6%	7%
Over 3 up to 4	7	7	7%
Over 4 up to 5	7%	7%	7%
Over 5 up to 6	7%	7%	7%
Over 6 up to 7	7%	7%	7%
Over 7 up to 8	7%	7%	8
Over 8 up to 9	7%	7%	8
Over 9 up to 10	7%	8	8%
Over 10 up to 15	8	8%	8%
Over 15 up to 25	8%	8%	8%
Over 25	8%	8%	8%

* Quota loans 1 per cent higher and non-quota loans 5.2 per cent higher than base rates. Quota loans are repayable in monthly instalments (6% equal weekly). Equal instalments of principal. 1% represents the monthly interest (6% equal weekly). Equal payments of interest. 6% represents the monthly interest only.

** Corresponding to AGM of Southern Newspapers will take place at noon today, and not as recorded in the Week Ahead column in Monday's edition.

B·A·T INDUSTRIES

Record pre-tax profit

Nine months unaudited results to 30 September 1995

PRE-TAX PROFIT	£1,813m	+22%
EARNINGS PER SHARE	35.6p	+16%

- Record pre-tax profit of £1,813 million for the nine months, based on a good performance from financial services and an exceptional one from tobacco.
- Total financial services trading profit rose by 19 per cent to £789 million. Profit from the general business increased by 30 per cent to £493 million, while the life and investment business was up 4 per cent to £296 million, despite difficult conditions for UK life companies.
- The excellent performance from tobacco continued and profit increased by 34 per cent to £1,207 million. Group cigarette volumes were 20 per cent higher with gains from our domestic and export operations, as well as from the newly acquired businesses.
- The Group as a whole has continued to make impressive progress and, while the first nine months may have shown exceptional growth, we remain on track for a substantial increase on last year's pre-tax profit."

Sir Patrick Sheehy, Chairman

COMPANY NEWS: UK

Move follows clearance for North West Water to take over Norweb

Welsh Water considers Swalec bid

By Peggy Hollinger

Welsh Water yesterday said it was considering a bid for South Wales Electricity, the regional electricity company which rejected its advances five years ago.

The move follows the recent approval from the government for a takeover by North West Water for Norweb, another regional electricity company.

If the bid goes ahead, Swalec would be the eighth of the UK's 12 recs to face a takeover in recent months. Shares in the other four power companies rose strongly yesterday, with Yorkshire, for example, adding 30p to 29.52.

Welsh Water was forced to make the announcement following a sharp rise in Swalec's shares, fuelled by speculation of a possible bid for the smallest of the recs.

Swalec shares closed yesterday 70p higher at £10.58. Welsh Water shed 30p to finish at 72.4p.

Welsh said it had not reached a decision on whether it would bid. However, if a bid were to be launched, the price would be pitched at about £10.20.

Mr Graham Hawker, chief executive, said Welsh was keen to discuss a possible tie-up with Swalec. He refused to rule out the possibility of a hostile

bid. "We will be talking to them further and evaluating our position," he said.

Mr Hawker said any offer would be likely to include a mixture of debt and equity.

This prompted speculation in the market that Welsh would

have to launch a substantial rights issue to back an offer. Swalec refused to comment.

Welsh Water first swooped on Swalec in 1990, buying 10 per cent of its shares without informing the board of its intentions. It later lifted the stake to 14.9 per cent before selling its holding in 1992.

Analysts said Welsh's £10.20 should be regarded as an opening gambit and some believe an offer of up to £12 could be

earnings enhancing. "Swalec should not have too much trouble making a defence north of £11," said one.

Some shareholders were yesterday angry at Welsh's decision to return to Swalec, given that it had sold its stake two years ago for 40p a share. The company may find it difficult to convince shareholders of the wisdom of a bid because it is regarded as having a poor record on diversification.

However, most analysts were convinced that Welsh would eventually bid. "It would lose credibility if it walked away, and that is probably more damaging than making a hostile bid," one said.

ECC chief to take over at Rank

By Scherzerade Daneshku Leisure Industries Correspondent

Rank Organisation, the diversified leisure company, has ended a year-long search for a chief executive to replace Mr Michael Gifford.

It said yesterday the job would go to Mr Andrew Teare, chief executive of English China Clays, the minerals and chemicals group.

Mr Teare, who will join Rank as a non-executive director on January 1, said the company had established strong businesses in leisure and entertainment which he would continue to develop.

He is expected to take over from Mr Gifford soon after Rank's annual meeting on April 5.

The group has hired Mr John Markham, who recently resigned as general manager of the surfactants business at Albright & Wilson, the chemicals group, to run the Castleford operation.

The group has sold Kerley, an underperforming US subsidiary. However, City reaction was mixed, with analysts saying it was long overdue and that the \$22.5m (£21m) selling price was low compared with sales of about £30m.

Rank is also withdrawing from performance speciality chemicals with two other disposals in South Africa and the US.

That leaves performance chemicals for the pharmaceuticals, agrochemicals and detergents markets, fine chemicals for pigments and dyes, and protection and coatings for the construction industry.

Since the loss of the Unilever contract the company has been rumoured as a bid target though no names have been seriously attached to it. "The reason nobody in the industry has tried to buy Rank could be that they know something we do not," said one analyst.

But others said potential buyers might be waiting for the company to achieve a more stable footing. If that is the case, they may have to wait some time. Analysts said it was unlikely that Rank would exceed £20m in pre-tax profits until after 1997.

"It is tempting to say that this is the turning point," said one analyst. "We have to see who they appoint as chief executive."

ECC shed 18p to close at 33p, while Rank gained 7p to close at 42.7p.

LEX COMMENT

Welsh Water

Welsh Water's announcement that it is thinking of bidding for South Wales Electricity is a nasty surprise for its shareholders. The company has a dire diversification record: shareholders would prefer cash handed back to them, not an ambitious acquisition. It is no surprise that the news knocked 4 per cent off Welsh's share price yesterday. If Swalec could be secured at the price mooted by Welsh yesterday of £10.20 a share – investors might not have too much to complain about. At that price, the deal could conceivably do more for earnings than gearing up and handing cash back. But Welsh stands hardly any chance of winning Swalec at this price. The shares have already risen to £10.58, and Swalec is probably worth more than that. A Northern Electric-style "scratched earth" defence could yield value of over £11 – paid to shareholders plus the share in the National Grid, leaving a lump with a healthy interest cover of 3½ times. A white knight might pay more: valuing Swalec on the same basis as this week's Seedbed bid could generate nearly £12. At these prices, Welsh shareholders would do better if the deal were dropped and the company geared itself up instead.

Welsh should not, however, let past differences get in the way of cost savings from joint working between the two companies. Its previous position – that no savings at all are possible – is not credible. Whatever happens, Swalec owes it to its shareholders to talk to Welsh about working together.

Henderson hit by loss of UK pension funds

By Nicholas Denton

venture capital business fell 21 per cent to £3.8m.

Mr Eddie said he had terminated discussions with German banks about distribution of its funds and said the management was not considering disposing of the group.

Nevertheless, the shrinking contribution of the UK institutional business, which produced management fees of £4.1m out of a total of £27m, limited the potential for further decline in profitability.

Although the retail business was held back by UK private investors' lack of confidence, it produced relatively strong management fees of £1.8m on funds of £6.8m.

Henderson performed strongly in the international markets upon which UK fund managers have placed their hopes for growth. Funds under management at Seigman Henderson, the US joint venture, doubled to £1.32m.

British Airways chiefs net £2m from share options

By Michael Shapinkin, Aerospace Correspondent

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BUSINESS IN TURKEY

A tale of two cities

Many in business fear that economic instability and government incompetence will lead to a backlash against traditional politicians, says John Barham

Business leaders in Istanbul, Turkey's financial capital, say they have declared independence from Ankara, the political capital. These sober, conservative men are no anarchist revolutionaries. They have grown frustrated by the lack of leadership of a government which they believe has lost touch with their needs and the needs of the country at large.

Mr Isak Alaton, chairman of the Alarko engineering and construction group, says Turkey has "developed a system where the government does not govern. We have become independent from the incapacity of government. The bickering in Ankara does not matter much to the business community. We have adapted ourselves to this situation where the government is no longer relevant."

A more discreet Istanbul banker says: "We have discovered that you don't need a couple of bureaucrats to export, import and invest any more. You just get on and do it." Like Mr Alaton, he is scornful of the politicians. But he adds that economic liberalisation is progressing, albeit at a glacial pace, freeing companies from political interference.

It is easy to understand their frustration. Decades of government economic mismanagement have left Turkey with heavy debts, high inflation and a crumbling infrastructure. For business this means large and

unpredictable shifts in demand, high financial costs and severe short termism.

Still, businessmen can afford to sound confident. They have just survived, largely unscathed, one of Turkey's worst economic crises. The economy shrank by 6 per cent last year, following a balance of payments crisis and heavy devaluation. Companies responded quickly and decisively, justifying their reputation for 'hair-trigger' reactions. Now, profits are reviving strongly on the back of a faster-than-expected economic recovery. Exports are growing. Investment is up.

Although Mrs Tansu Ciller, the prime minister, has promised structural reforms, she has achieved little since taking office in June 1993. Mr Sedef Aloglu, president of the Economic Development Foundation (KEV) business association, says: "Short term [political] benefits exceed the long-term economic benefits of

the country."

Politics are very much in the air because general elections are scheduled to be held on

Ciller sides are scathing about the Istanbul millionaires' complaints



Istanbul business leaders have just survived, largely unscathed, one of the country's worst economic crises

December 24. The outcome is

impossible to judge.

Business has begun speaking with a louder political voice. Last year, senior bosses bluntly told Mrs Ciller that the country could make a giant leap into the future, "says one

they would refuse to pay any more "one-off" emergency taxes.

This year they have urged the government to pursue political liberalisation – so far with scant success – to meet European Union conditions for a customs union in 1996.

Some, such as Mr Alaton or Mr Sakip Sabanci, head of the eponymous conglomerate, have gone so far as to call for a political settlement to end the 11-year Kurdish insurgency in south-east Turkey. This led state prosecutors to accuse Mr Sabanci of infringing Article 8 of Turkey's notorious Anti-Terrorism Law – which the EU is demanding be substantially altered and which forbids any statement threatening "the indivisible unity of the state of the Republic of Turkey." Fortunately, the prosecutors saw reason and dropped charges.

Business reserves its loudest broadsides for government economic mismanagement.

Business reserves its loudest broadsides for government economic mismanagement.

Everyone knows what the problems and solutions are, but there is no one who can take decisions. If there were, the country could make a giant leap into the future," says one businessman.

Mr Halis Komill, head of TUSIAD, the main employers' association, says: "We have a very, very dynamic private sector but it is doing much less than it could. Reform will allow the private sector to grow faster. But to do all this [we] will need an effective government."

The business community has had little success in influencing policy. Although Mrs Ciller's True Path party is nominally conservative and pro-business, it has adopted a stridently populist tone. It has shelved politically unpopular reform to retain its hold on power.

The Motherland party, which launched economic reform in the 1980s under former Prime Minister Turgut Ozal, has lost momentum due to lacklustre leadership. The liberal, free market New Democracy Movement party (YD) headed by Mr Cem Boyner, a textile magnate, has attracted little popular support.

For their part, Mrs Ciller's aides are scathing about the Istanbul millionaires' complaints. They point out that it is big business that is making a fortune by speculating in government bonds. They add that businessmen have only become more aggressive because successful government contracts have dried up. And their free market rhetoric does not prevent them from lobbying for government subsidies and incentives, tax breaks and protection for their companies.

The Istanbul banker, more candid than most, agrees: "All big business men are close to the politicians. To be in business you have to have good ties with Ankara and not just the government, but the parties, the bureaucracy, the journalists."

Ironically, the reforms business advocates would, at least temporarily, damage their interests. For example, economic reform would cut the big profits to be made on the financial markets, where the government must pay dearly to



Ankara: decades of government economic mismanagement have left Turkey with heavy debts and high inflation

place its bonds. Closer ties with Europe will have a far-reaching impact on business.

Although customs union may be delayed for political reasons, it is already beginning to alter Turkey's business culture as EU law on state aid, subsidies, competition, intellectual property and consumer protection is being adopted in national law. One senior European diplomat commented that

"the first conviction of a Turkish [trade mark] pirate by a local court for infringing an EU patent will do a great deal to modernise business practices."

This accounts for some discredit behind-the-scenes lobbying by business groups to delay or even prevent customs union.

However, Turkish companies know they cannot afford to be complacent. Although Turkey's greatest obstacle to growth is the public sector, the majority suffer from low investment, low productivity, poor standards of quality and weak management. They will struggle to meet the big guns of European industry.

The fear of competition from duty-free EU imports has

spurred rapid growth in investment. Inward investment and acquisition of Turkish groups by EU companies is also growing. So is investment from non-EU countries: Japanese companies are now the largest foreign investors in Turkey, accounting for about one-fifth of inward investment.

In spite of all its difficulties, Turkey offers important business opportunities. Its population is growing rapidly. Half the population is aged under 30. Sectors ranging from supermarkets to cars are very far from maturity.

However, as Mr Komill noted, the government's dreadful economic management – inflation hit a record 126 per cent last year – is probably Turkey's greatest obstacle to growth.

Public sector reform would cut government deficits and lower interest rates and inflation, allowing growth to accelerate at a steadier rate. A

US banker says that Turkey could have doubled its 5 per

cent average annual growth rate between 1980-94 if it had stabilised the economy.

The great hope now is that the elections will return a

Ciller government with a clear mandate for reform. But many people in business fear that economic instability, government corruption and incompetence or EU rejection of customs union will lead to a backlash against traditional politicians in December's elections and catapult the Islamic fundamentalists of the Refah party to power.

Few bosses add that Refah is benefiting from voters' anger provoked by big business flourishing while their incomes decline and unemployment for millions. Refah is hostile to business and to ties with the west. Although executives reassure visitors, with reason, that Turkey has no tradition of religious extremism and that its secular and pro-western values are deeply entrenched, the fear of a Refah election victory is worrying them more and more.

It is ironic that while it is proclaiming its independence from Ankara, the business world is becoming more fearful of the political world.



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II BUSINESS IN TURKEY

■ The economy: by John Barham

Picture of rude good health

The government may have stabilised the economy, but it has done little to deal with the fundamental causes of economic instability.

For a country that underwent a wrenching economic crisis a year ago, Turkey is in surprisingly good shape. Business is booming. Investments and exports are surging. Banks are lending more. Quarterly growth rates of 10 per cent reflect a poor 1994 figure but also indicate some firm expansion.

Contrasting with this picture of rude good health is a moribund public sector burdened by chaotic banks, loss-making state enterprises, a bankrupt social security system and heavy debts.

Government officials openly accept that Turkey's economic problems are essentially caused by public sector disorganisation. But they claim credit for restoring a degree of stability by implementing a stringent International Monetary Fund programme last year.

They turned a current account deficit of \$6.4bn in 1993 into a \$2.6bn surplus last year, although a stronger-than-expected recovery is pushing Turkey back into the red with a forecast \$1.2bn-\$1.5bn deficit this year.

Central bank reserves are at a record \$16.5bn, due to high interest rates and renewed government borrowing overseas.

Turkey was frozen out of world financial markets in

early 1994. The government has curtailed spending, cutting public sector borrowing this year to a projected 5.6 per cent of gross national product (GNP) from 8.2 per cent last year.

Inflation has fallen, but remains stubbornly high at 9.1 per cent between January and September, against 11.1 per cent in the same period last year.

Exports in the first seven months of the year climbed 27 per cent to \$11.75bn, even though the Turkish currency depreciated more slowly than inflation, cutting exports' international competitiveness.

However, imports - mainly of capital goods and raw materials - rose by nearly half, leading to an \$18.35bn deficit.

The government may have stabilised the economy, but it has done little to deal with the

fundamental causes of economic instability.

- Privatisation is stalled. Revenues of about \$500m so far this year are only one-tenth of the target the government set itself in January.

- Tax evasion is rife. The government says one-quarter of taxes go uncollected, but this is probably a gross underestimate.

- A budget in which wages and debt service payments account for nearly two-thirds of spending. Most of the reduction in public sector borrowing has come from a clampdown on state employees' wages.

Not surprisingly, government debt has grown faster than the economy almost every single year since 1990, bringing with it ever-higher interest rates. IBCA, the London-based rating agency, says in a recent report: "As a result of this fiscal iniquity the economy has slipped into a damaging boom-and-bust cycle of growth accompanied by persistently high inflation."

This is where the public sector's problems interfere with the private sector. Inflation leads to high interest rates and short-term horizons, discouraging investment. Executives complain that high financial costs are one of their heaviest burdens in export markets.

Although Turkey has been the OECD's fastest-growing economy over the past 15 years, averaging 5 per cent annual growth, this performance hides great volatility which damages expectations and planning.

Economic turbulence will probably worsen in coming months as Turkey prepares for elections. Governments traditionally allow spending to rip in the months preceding elections.

Ominously, the IMF's standby programme ends in February, and with it a heavy constraint on irresponsible policymaking. The government managed to meet its performance criteria for the first three quarters of this year.

Although slippage is increasing now, the overshooting is not expected to be excessive.

Turkey will continue to underperform economically until its government grapples with public sector reform. Turkey, once in the vanguard of economic reform, has fallen behind Latin America, eastern Europe and Asia. Turkey could become a European tiger economy, possibly posting double-digit growth rates, if only it could rediscover an appetite for reform.

tion is poor and management weak.

- Fighting continues in the south-east. The 11-year Kurdish guerrilla insurgency could be costing the government as much as \$7bn a year although precise figures are not available.

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■ Banking: by John Barham

Problems remain despite easy year

Foreign observers are uneasy over the structure of the banking system

After the hammering they suffered in 1994, bankers are having it easy this year. Profits are almost being thrust at them from a debt-ridden government forced to pay higher and higher interest rates as it sinks deeper into the red.

Garanti Bank, widely considered one of Turkey's best private commercial banks, reported first-half net earnings up by just over half in dollar terms to \$55.4m. At Akbank, another large private bank, management says earnings in the first nine months of the year rose by about 50 per cent in dollar terms, to about \$28m.

A heavy devaluation and soaring interest rates last year hit the financial industry hard and caused the failure of three small banks. Profits at Turkey's 10 biggest banks fell by half in dollar terms last year, although their assets shrank by only 17 per cent.

Mr Hakan Akhan, executive vice-president at Garanti, says: "The balance sheet of the financial sector at end of June [shows] most of banks had got rid of the negative effects of 1994 crisis."

Banks are behaving more conservatively and regulators are more vigilant. The government has tightened its controls and imposed taxes and limits on overseas borrowing to cool speculation.

Yet, the bond market is where most profits are still made. One Istanbul banker said: "You have to buy bonds. It's profitable, risk-free and short term and that fills the check list."

High interest rates are further racked up by a government decision to slow the Turkish currency's rate of devaluation, which increases profits in hard currency terms. Bankers say this policy has snatched about \$5bn-worth of short term "hot money" into Turkey, despite tighter regulation.

Banks are also starting to lend more to companies. Mr Akhan reports that: "Starting from April, we have seen strong local currency and foreign exchange credit demand from large, medium and small companies, especially in the textiles and food industries. They are investing heavily in machinery and technology."

Long-term loans are only available in dollars or D-Marks. Expensive Turkish currency loans are strictly for very short term needs.

For all the relief at recovery, the financial industry remains saddled with many of the same problems that afflicted it before last year's crisis.

To begin with, profits are still heavily dependent on high-yielding government bonds. This is not an immediate source of concern. Perversely, the banks' easy profits would suffer heavily if economic reform ever takes place - a move which bankers frequently demand - as inflation



With 62 banks, Turkey is overbanked. Consolidation must come sooner or later

and government borrowing dropped. A future government might even rescind its local currency debt.

The markets are often swept by rumours that Ankara will unilaterally consolidate its domestic debt as part of a wider economic reform strategy, imposing unfavourable terms on bond holders.

Foreign observers are uneasy over the structure of the banking system, in which many of the big private banks are part of larger industrial groups. Although the big private Turkish banks are generally considered to be well-managed, there is an inherent conflict of interest at the heart of their ownership.

Turkey's three largest private banks - Akbank, Garanti and Yapi Kredi - are all controlled by family-owned conglomerates. The banks usually hold shares in these groups' industrial holdings. The holdings do not normally generate ade-

quate dividends, to the detriment of outside shareholders - although the banks say the capital value of their industrial stakes is reflected in their share price.

Bankers say they rarely lend to group companies, but some analysts take this denial with a pinch of salt. Their fear is that trouble elsewhere in the group could drag down an otherwise healthy bank.

The regulators are encouraging the Cukurova industrial group - which owns three banks - to merge them into a single unit. The central bank says that these banks are too weak to operate individually. Cukurova owns Yapi Kredi, Pamuk Bank and Isbank. Analysts worry that it has pursued an excessively ambitious expansion strategy.

Turkey is overbanked. It has 62 banks, of which only the large private banks and their small foreign competitors are considered fundamentally sound. However, inflation often hides their difficulties. Small private banks tend to be undercapitalised and some of them may even be technically bankrupt. Consolidation must come sooner or later.

Lifting the government's unlimited deposit guarantee scheme, introduced at the height of last year's banking crisis, would accelerate reorganisation. The large banks are pressuring the government to abolish the guarantee scheme, arguing that it allows small banks to take excessive risks. However, depositors do expect an interest rate premium, realising that if a bank failed, recovering their deposits from Ankara's slow-moving bureaucracy would be time-consuming and vulnerable to heavy inflation.

Although management at most of the state banks has improved, they still continue to distort the banking market badly. The state banks control about two-thirds of the sector's assets. They have privileged access to deposits and borrowers since most public sector bodies must operate through state banks and because they enjoy an implicit government guarantee against failure.

However, state banks are subject to political interference. Ziraat Bankasi, Turkey's biggest bank, is generally considered to be the worst affected.

Privatisation of these banks is advancing very slowly. But two small banks - Sumer Bank and Eti Bank - have split their industrial activities from their financial activities, a basic requirement for future privatisation.

Foreign banks tend to be better managed, more narrowly focused and more successful than their Turkish rivals, although they have the advantage of international connections and blue-chip multinational clients. The head of one big New York bank's Istanbul office said: "Every year has been a roaring success. I cannot remember a year in which we did worse than the previous one."

There is little chance that a broader, more mature financial system will emerge in Turkey until the government brings economic stability by eliminating its deficits and inflation.

Making money in these conditions may be easy but it is risky.

It also means that development of standard insurance, mortgage, pension and consumer credit products will remain stunted and "long term" will continue to be measured in months rather than years.

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Buzz returned at the end of September

Liquidity levels remain very much at the mercy of erratic overnight rates and yields on government paper

Given the attention to detail in the recently-opened high-tech building that houses the Istanbul stock exchange, the failure to engrave a public health warning above the entrance to the trading room is all the more conspicuous. The sign should read: "Sufferers of high blood pressure, keep out."

Istanbul is the classic emerging market, highly volatile but hard earning. The buzz returned at the end of September. International investors (normally 10 per cent of the float) came rushing back when the index fell below 42,000 and on news that stocks were historically underpriced.

The point was driven home when some companies, riding the reflationary wave in the economy, began reporting strong third-quarter results.

After profit-taking at the end of October, the market is now finding support at 45,000. It is poised on two events - the outcome of Turkey's attempts to join a customs union with Europe and the result of December's general election.

Industries which do well out of pre-election public spending may suffer in the period of austerity expected to follow.

Although in the first instance customs union may actually work against Turkish industry - it involves the immediate removal of some \$1bn worth of protection - companies with an ISE listing are fitter and are regarded as likely to be among the net beneficiaries.

The outcome of the elections is extremely difficult to forecast. Most analysts cannot predict the fortunes of the pro-Islamic Refah party. Yet at least one or two London brokers are prepared to take a position now.

Some calculate that a clean

instability, according to Mr Ismail Kovaci, ISE spokesman. To those who would argue that Istanbul is attractive precisely because of that instability, the reply is that the exchange is not so much the Wild West but more like a territory on the verge of statehood. Certainly an active capital market board has shown a willingness to challenge publicly the worst excesses.

Trading and settlement (two days after the transaction day) is at least efficient and reliable compared with other emerging markets. Credit risk has been reduced with the transformation of the ISE Settlement and Custody Company into a Clearing and Custody Bank. Shareholders can use a code on the phone line to check their accounts.

Mr Tuncay Arslan, exchange chairman, has been the prime mover of a Federation of Euro-Asian Exchanges whose members range from Bucharest to Delhi. Istanbul is also trying to set up a dollar-denominated Euro-Asian exchange to allow an easily-accessible flotilla of Iranian stocks.

Foreign traders will be able to operate within a free trade zone inside the exchange building itself.

Even normally listed shares are still not nominated in the bearer's name, and at present investors pay no tax on dividends or capital gains. There are also no restrictions on the repatriation of earnings, although in theory foreign investors are required to keep domestic books.

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GETTING IT RIGHT AT THE OUTSET ENSURES FRICTION FREE

■ Business and industry: by John Barham

Ready for fresh challenges

Turkish business's reputation for resilience, flexibility and rapid reaction has been vindicated

The business men in Istanbul this autumn feel unmissably smug. Turkey's bosses feel that wing weathered the country's worst economic downturn in decades with relative ease, they can withstand almost any assault.

Sales and profit slumped following a balance-of-payments crisis and devaluation. Te Koç Grp, Turkey's bluest blue chip company, reported a 45 per cent drop in sales last year, dollar terms to \$8.15bn and achieving after-tax profit to \$62m.

The same thing, worse, happened to almost every business in Turkey. Companies laid off thousands of employees and slashed investment budgets. However, bank did not report an increase in bad loans. There were few bankruptcies. On the contrary, the best-managed companies say the crisis coming and prepared for it by seeking export markets or shedding debt.

İsak Alsan, chairman of the large Aiko engineering group, says: "We saw the crisis coming and we decided to become totally debt-free, at the cash we invested [in money markets] something at 1000 percent interest. The worst of the crisis was over by the spring of this year. Turkish business's reputation for resilience, flexibility and rapid reaction was vindicated.

Profits across industry have climbed strongly in real terms in 1995, partly reflecting last year's dire performance, but also indicating a strong recovery.

Although domestic demand has recovered, sales are muted. Instead, exports are climbing steadily. By July, foreign sales had increased by just over 25 per cent to \$11.75bn.

Bankers are also reporting a resumption in investment. Mr Kemal Körülü, senior vice-president at Istanbul's Interbank, says: "Investment is being financed by people who doubled or tripled their money during the crisis. When interest rates fell, then a number of companies decided that the return on manufacturing investment was greater."

While business executives are fully entitled to feel proud to have survived 1994, few are under any illusion that the future will be much easier.

Next year, if all goes well, Turkey will form a customs union with the European Union. The Europeans who long ago opened most of their markets to Turkey will only gain duty-free access to Turkey in 1996. One Turkish businessman said candidly: "We realised only in March [following EU governments' approval of customs union] that this was serious. This

always happens, specially in medium companies. We always wait until the last moment. There is a tradition in Turkey that if you are not against the wall, your performance will be poor."

Even the most competitive sectors of Turkish business, such as textiles, realise that bigger, stronger and more sophisticated European players will hit them hard – fatally in some cases – in their still well-protected and often highly profitable domestic market. With the possible exception of the top-ranking local companies, Turkish business is much less productive than its European counterparts. The same goes for quality, innovation, and management techniques.

Although investment has picked up by about half in the first three quarters of this year, it is still 5 per cent lower than in the rapid growth year of 1993. Interest rates are still high enough to allow many companies to make most of their profits from financial markets rather than from their business operations.

Investment by Turkish companies is also lagging behind their competitors in Europe and, more critically, in the more dynamic economies of south-east Asia.

Companies are now investing – very often belatedly – in technology to meet increasingly stringent international quality, design and technology standards. They are adding capacity to attain economies of scale and improve productivity.

Furthermore, Turkey's adoption of EU

trade, consumer protection, intellectual property and competition rules will have a profound impact on business. Piracy, shoddy goods, dishonest marketing, overt government subsidies – all common in Turkish business – should begin to decline.

Whatever the immediate outlook for customs union, Turkish business has accepted that there will be no return to protectionism. Already, Turkish companies are keen to develop closer links to international partners. The beginning of what may be a long process of rationalisation and takeover activity in industry – usually involving European groups – seems to be emerging.

Unilever, the Anglo-Dutch food and consumer group, took over the export business of Komfil, a local olive oil and soap maker. Bosch of Germany has paid \$150m for a 65 per cent stake in PEG-Profile, Turkey's second-largest white goods company. Investment bankers say there are many more alliances, mergers and acquisitions to come.

Exports are no longer seen simply as an opportunistic reaction to a depressed local market, but part of a development strategy. For instance, Turkey's car industry, which is supposed to be threatened by import competition, is linking with its European allies.

Tofas, which produces Fiat cars under license and is Turkey's biggest car producer, is integrating operations with Fiat of Italy. All Fiat Tempras are made by Tofas and exported to Europe.

Mr Jacques Chauvel, general manager of Renault's Turkish affiliate, says the issue of "integration is on the table. Renault means to take a global view." Renault is broadening its local product range by importing more models from France. The manufacturer is encouraging its suppliers in Europe to move to Turkey. Unlike Fiat, Renault does not yet feel sufficiently confident to produce cars in Turkey for export.

Closer ties with the EU are prompting stronger investment by non-European companies seeking a low-cost bridgehead. Japan is now Turkey's largest single foreign investor, accounting for just under one-fifth of inward investment.

Given the difficulties of the past two years it is not surprising that business planning tends to be defensive and export-oriented. Yet nobody can afford to ignore Turkey's domestic market. It has a population of 62.5m that is growing by 2 per cent a year. Half the population is under 25. Demand for consumer goods is strong, particularly since so many households still lack appliances that many Europeans would consider as basic.

However, Turkey's greatest handicap is its turbulent economy in which demand can rise and crash with unpredictable speed. Business leaders are right to say that their greatest handicap is incompetent economic policy-making in Ankara.

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IV BUSINESS IN TURKEY

■ Customs union: by David Tonge

Closer to Europe

The rules of business have been dramatically rewritten, with Turkey introducing competition legislation equivalent to that in Europe

This year has been Turkey's year of Europe. If Ankara has its way, the year will culminate in the European Parliament endorsing the customs union agreement with the EU signed on March 6. But, even if this vote is postponed, a momentum has been built up linking Turkey closer to Europe than at any time since the Ottoman troops first pitched tents outside the walls of Vienna.

EU foreign ministers confirmed on October 30 that they see no technical details preventing a customs union between Turkey and Europe. For European business, Turkey's long-closed markets are virtually open. The past two years have seen a dramatic acceleration of Turkey's tariff reduction programme.

This has continued throughout 1995, so that for most producers the level of protection against goods from the EU has been slashed. Final abolition of tariffs and levies on goods from the EU is due at the end of this year, although this could be delayed if the European Parliament fails to endorse the agreement.

Turkish business has on the whole welcomed the changes. Mr Sakip Sabanci, head of the Sabanci group, Turkey's second-largest conglomerate, says: "It will make us more dynamic. Of course, we did well with customs protection. But that is finished now. Instead, I have to provide world-quality goods at competitive prices and with the correct service. Some companies will have difficulties. But it will help my country."

In parallel with tariff reduction, the rules of business have been dramatically rewritten, with Turkey introducing competition legislation equivalent to that in Europe and much

improving its long-criticised intellectual and industrial property regimes.

Even without customs union being formally introduced, these changes have already encouraged many leading international companies to reassess their policies in this traditionally exotic market. Bosch has just bought a controlling share in Profilo, Turkey's second-largest white goods company. US food manufacturers have been building up their presence in Turkey. British supermarket multiples are beginning to explore the route already beaten by Carrefour, Makro and Promodes. And south-east Asian car manufacturers are investing in Turkey as a route into Europe. Turkey's manufactured goods have long entered the EU duty-free.

With more than half of Turkey's trade already with EU countries and the bulk of

The socialist group in the European Parliament has been briefed

direct investment originating in Europe, the commercial links are solid - and will certainly grow when Turkey's textile and garment industries have unrestricted access to Europe.

While the trading relationship is solid - and helped by Turkey's importance as a route to the new republics of central Asia - the political debate has also taken on a new dimension. The formal side of it includes increased institutional mechanisms for political dialogue with Turkey. However, far more dynamic has been the interchange between Turkey and Europe on democratisation.

The very real prospects of the socialist group in the European Parliament blocking customs union led to July's changes in the constitution and to October's minor amendments in the notorious Article 8 of Turkey's anti-terrorism law which has been used to jail several hundred Turks on

charges of separatist propaganda. This prospect has also caused sensitivity to the fate of the six pro-Kurdish DDP deputies sentenced last December and whose appeals recently failed.

For Coşkun Kirca, recently foreign minister and now minister of state responsible for Turkey's relations with Europe, "democracy is a process, an ideal", to which Turkey is committed, both morally and through its treaty relationships with the Council of Europe. He warns that any delay in the European Parliament will be interpreted as a victory by the fundamentalists in Turkey opposed to the country becoming closer to Europe.

The socialist group in the European Parliament has been fully briefed on this concern and it remains to be seen how it will balance this with the broader issues of civil liberties in Turkey.

In a wide-ranging interview in the group's twin tower headquarters overlooking Istanbul, Turkey's corporate capital, the controversial Mr Sabanci discussed Turkey's principal management, economic and political issues:

Question: How do you evaluate the current business climate?

INTERVIEW

Sakip Sabanci

'The goal is to sell shares overseas'



Sabanci: principal management, economic and political issues

Answer: As an industrialist, the situation has got better this year. With the situation now I have more profit; more exports, I pay more taxes and invest more, buying equipment and capacity. 1995 in dollars [terms] is getting better and better. For instance, turnover at Sasa [producers of man-made fibres] is \$450m. In the next four years we estimate additional capacity will raise this to \$1.2bn. Profit at our finance arm Alkema rose strongly. Sabanci's end-of-year profit will be \$1.0bn.

Can you explain how you are reorganising the Sabanci group?

Mckinsey (the US consulting firm) has been working with us for several months about preparing for the next generation. How we do this is my most important area, not just opening more factories. By 2002 our strategy will be to focus on 10 sectors each with at least \$500m turnover. There will be new areas: telecoms, energy, petrochemicals, which we will enter either via privatisation or direct investment.

Turnover will increase from \$6bn to \$15-20bn. Do you also intend to reduce the family's stake by selling equity to outside investors? We will sell more and more shares. We will float shares in companies, although this will take time. In 1996 we plan to sell shares in the holding company and Sasa. We already have 10 listed companies. The goal is to sell shares overseas. We are also

discussing human resources, privatisation, how to expand outside Turkey. How will the planned customs union with the EU affect Turkish business? There already is competition for everything. There are no more high customs walls. In the near future (with customs union), there will be yet more competition. Customs union will bring many advantages to Turkey. From my point of view it will bring dynamism and competitiveness. But some small and medium companies will have difficulties. Even Sabanci will have difficulties in some areas. Competition pushes us. And if we join others we can exchange ideas and learn. How does Turkey's political turmoil affect you?

It seems to me that Ankara and the politicians are in a different area from producers. Ankara is moving slowly and is not successful. But businessmen are dynamic. In the last 10 years Turkey has suffered [worse] problems. But in the last 10 years we did joint ventures with Dupont, Toyota, Philip Morris.

John Baram

■ Textiles: by John Barham

Bankers report lending surge

The industry is now in the throes of rapid expansion, piling on investment in capacity and technology

At some point in the past 12 months, hundreds of mainly small and medium Turkish textile companies reached the same decision independently.

They reasoned that a planned customs union with the European Union was inevitable and would radically

change their businesses. The elimination of trade barriers with the EU in 1996 would be followed later by the dismantling of worldwide restrictions on the textile and clothing trade.

They decided to embark on a crash investment programme.

The industry, one of Turkey's most successful exporters and largest employers, is now in the throes of rapid expansion, piling on investment in capacity and technology.

Bankers report a surge in lending to textile and clothing companies to finance imports of machinery. In the first eight months of the year, the government issued \$1.5bn worth of investment incentive certificates for textiles.

Turkish companies have big markets to develop in Europe. Ms Nur Geç, head of the clothing industry's trade association, says:

"The textile and clothing industries already produce \$10bn worth of goods a year and \$7bn is for export."

More than two-thirds of these exports go to the EU, and half of these exports go to Germany. Recorded textile exports are likely to double in 1996.

Although most of the exports are subject to quotas, in most cases the limits are set so high that in practice they represent few difficulties for Turkish exporters.

Ms Geç says the real benefit of a customs union will be psychological: "We speak the same language. We are producing short-term-delivery fashion products for the middle class market. We will work to the same rules as the EU. Our market will be open to the Europeans."

Furthermore, customs union will give greater impetus to integration of design, production and marketing operations as EU companies move less profitable activities to low-cost countries such as Turkey.

Within Turkey, activity is moving away from the established centres of Istanbul and Izmir.

Companies are responding to government investment incentives to locate new factories in the interior of Anatolia.

Turkey, a large producer of cotton, is expected to increase production rapidly. Cotton output is expected to double to 1m-1.2m tonnes a year once the huge Gep irrigation project in south-eastern Turkey is complete.

However, the EU will still retain some important comparative advantages in textiles and clothing over Turkey, according to the Clothing Manufacturers Association.

To begin with, productivity in EU countries is double Turkey's. Energy prices in the EU tend to be lower. Financial costs are also considerably lower.

Raw material costs between Turkey and the EU are not significantly different.

Although the industry is progressing rapidly, quality and value added are still poor. Mr Batur Tessler, export manager at Zeki Triko, a Istanbul swimwear maker, says he imports fabric from EU countries in order to meet the high standards of his export markets.

"Turkish suppliers are terrible," he says, stretching some Italian fabric. "See this? It's all black. Turkish suppliers used to send me stuff that went

A crash investment programme is under way. Companies are borrowing to finance imports of machinery

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JOY TO ALL

MARKETS REPORT

French franc rallies further after reshuffle

By Graham Bowley

The French franc gained more ground on the foreign exchanges yesterday, on the belief that the government's commitment to fiscal reform and a strong currency has been strengthened by Tuesday's reshuffle.

The Bundesbank cut its repo rate by 2 basis points to 4 per cent, the lowest level since the end of 1988. This was broadly in line with expectations but nevertheless fuelled speculation that there might be further cuts in German short-term interest rates soon.

This speculation provided further support for the French franc and other European currencies against the D-Mark. The German currency finished weaker against most currencies.

The franc was also underpinned by speculation that the Bank of France could make another cut in its 5-10 day interest rate today.

The dollar was hit by the wranglings in Washington over the US budget and by Japanese current account figures which suggested that Japanese investors have been net sellers of overseas assets.

The US currency recovered later in the European session, despite a sharp decline in the Mexican peso which analysts feared could drag the dollar lower with it.

Sterling took heart from the Bank of England's latest quarterly inflation report, in which it shaved down its forecast for price increases over the next two years.

The dollar suffered a setback early in the session on Japanese current and capital account figures. These showed

a decline in Japan's trade surplus to \$10.8bn but they also pointed to a net long-term capital inflow in September of \$785m, after an outflow of \$407m in August.

This appeared to contradict recent reports that market wisdom that Japanese investors had been buying overseas assets to take advantage of the relatively high interest rates in Europe and the US.

"This was against the expectations of most dollar bulls," said Mr Michael Burke, international economist at Citibank in London.

But the dollar recovered

later in the session, largely for technical reasons as dealers took profits.

This was despite further declines in the Mexican peso, which has fallen in recent sessions as dealers began to question the sustainability of high interest rates given the current state of the Mexican economy.

The markets are staring to

look with increasing concern at Latin America," said Mr Jeremy Hawking, chief economist at Bank of America in London. He warned that the dollar could suffer if the peso were to fall further because Mexico is a major trading partner of the US and the US government would be committed to supporting Mexico in any crisis.

The dollar finished in London

at Y102.3250, compared with Y102.9500 at the previous finish. Against the D-Mark, it finished at DM1.4166, from the previous close of DM1.4167.

The franc finished against the D-Mark at FF7.3446 from FF7.3452.

There was continued selling of the D-Mark against the yen. The D-Mark rallied strongly against the yen in recent weeks but has fallen back in recent sessions after hitting resistance around Y734.

The D-Mark closed at Y72.31 from Y72.63.

The pound closed higher at DM2.2385 from DM2.357.

Against the dollar, it finished at \$1.5802 from \$1.5781. The sterling trade-weighted exchange rate index closed at 84.3, up from 84.2.

The Swiss franc fell back

slightly on the belief that the Swiss central bank is unhappy with the current high level of the currency. There was speculation that it might act soon to

weaken the currency by cutting interest rates.

The Italian lira enjoyed a better day. It rallied on signs that the Dini administration is gaining in strength, which bolstered hopes that the government would be able to progress with planned reforms.

UK gilts and short-sterling futures rallied with the pound on the back of the Bank of England's better inflation outlook with the March short-term interest rate index down discounting money market interest rates of around Y734.

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The Swiss franc fell back

slightly on the belief that the Swiss central bank is unhappy with the current high level of the currency. There was speculation that it might act soon to

look with increasing concern at Latin America," said Mr Jeremy Hawking, chief economist at Bank of America in London. He warned that the dollar could suffer if the peso were to fall further because Mexico is a major trading partner of the US and the US government would be committed to supporting Mexico in any crisis.

The dollar finished in London

at Y102.3250, compared with Y102.9500 at the previous finish. Against the D-Mark, it finished at DM1.4166, from the previous close of DM1.4167.

The franc finished against the D-Mark at FF7.3446 from FF7.3452.

There was continued selling of the D-Mark against the yen. The D-Mark rallied strongly against the yen in recent weeks but has fallen back in recent sessions after hitting resistance around Y734.

The D-Mark closed at Y72.31 from Y72.63.

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The Italian lira enjoyed a better day. It rallied on signs that the Dini administration is gaining in strength, which bolstered hopes that the government would be able to progress with planned reforms.

UK gilts and short-sterling futures rallied with the pound on the back of the Bank of England's better inflation outlook with the March short-term interest rate index down discounting money market interest rates of around Y734.

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LONDON SHARE SERVICE

BANKS. MERCHANTS.

Chemical

BREWERIES

	Notes
Ascut Higgs	A- X
Bass	A- X
Bodddington	A- X
Burtonwood	A- X
Elmhurst, Poole	A- X
Fairfield	A- X
Fenton STA	A- X
Gibbs New	A- X
Grescull	A- X
Greene King	A- X
Grosvenor Inn	A- X
Holf J	A- X
Kirin Y	A- X
Maggsfield	A- X
Marsden Thomas	A- X
Mordant	A- X
Paradise	A- X
Regent Inn	A- X
Scot & New	A- X
Underhill Breweries	A- X
Vans	A- X
Wetherpoons (L1)	A- X
Whitbread	A- X
Wich & Duddell	A- X

BUILDING & CONSTRUCTION

Building & Construction	Notes	Price	+ or -	High	Low	1995
AF Inds		125		135	115	127
Abbey E.		125		135	115	127
Allen		125		135	115	127
AMEC		125		135	115	127
Cap Co Pt		125		135	115	127
Amer		125		135	115	127
Andrews Sykes		125		135	115	127
Ashtead		125		135	115	127
Avonstoke		125		135	115	127
Bailey (B)		125		135	115	127
Ball (AH)		125		135	115	127
Barmer Homes		125		135	115	127
Baroness		125		135	115	127
Barrett Devs		125		135	115	127
Bellway		125		135	115	127
Bellshill		125		135	115	127
Berkley		125		135	115	127
Sett Brod		125		135	115	127
Birch		125		135	115	127
Boat (B)		125		135	115	127
Brandon Hires		125		135	115	127
Bramcote		125		135	115	127
BS & EA		125		135	115	127
Bryant		125		135	115	127
CALA		125		135	115	127
CRP Leisure		125		135	115	127
Campbell & Ann		125		135	115	127
Clarke (T)		125		135	115	127
Cobden		125		135	115	127
Colvilles		125		135	115	127
Crest Metal		125		135	115	127
St. George Co Pt		125		135	115	127
Concourse		125		135	115	127
ESIC		125		135	115	127
Eve		125		135	115	127
Fairbairn		125		135	115	127
Castford		125		135	115	127
Gleeson (M)		125		135	115	127
HawkeEurope (B)		125		135	115	127
Hearden-Sauer		125		135	115	127
Higgs & Hill		125		135	115	127
Howard		125		135	115	127
Jackson		125		135	115	127
Jarvis		125		135	115	127
Kajima (T)		125		135	115	127
Keller		125		135	115	127
Lang (L)		125		135	115	127
A NAV		125		135	115	127
6.4pc Co Pt		125		135	115	127
Hewitt (T)		125		135	115	127
Members (A)		125		135	115	127
McDonald (A)		125		135	115	127
McCarthy & St		125		135	115	127
Morgan Stanley		125		135	115	127
Moroccan Constr		125		135	115	127
Mowbray (L)		125		135	115	127
Parsons		125		135	115	127
Fuchs		125		135	115	127
Prowling		125		135	115	127
Raine		125		135	115	127
Redrow		125		135	115	127
Recent Corp		125		135	115	127
Secure Retirement		125		135	115	127
Sheriff		125		135	115	127
Shoreco		125		135	115	127
Tay Homes		125		135	115	127
Taylor Woodrow		125		135	115	127
Taylor Douglas		125		135	115	127
Towers (T)		125		135	115	127
Transwood		125		135	115	127
Tyr		125		135	115	127
Utility Cable		125		135	115	127
VHE		125		135	115	127
Wembly		125		135	115	127
Washomes		125		135	115	127
Want Rings		125		135	115	127
Westbury		125		135	115	127
West Scotland		125		135	115	127
Westport		125		135	115	127
Wriggins Group		125		135	115	127
Watson (Com)		125		135	115	127
Watson Baileys		125		135	115	127
Wimpey (G)		125		135	115	127

BUILDING MATS. & MERCHANTS.

	Notes	Price	1985	1986	1987	1988
Alveycon		11.5	11.5	11.5	11.5	11.5
Alzmetec		40.00	31.14	27.50	27.50	27.50
Anglo Am Grp		11.5	11.5	10.5	10.5	10.5
Arrow		24.00	27.50	27.50	27.50	27.50
ASCO		11.5	11.5	11.5	11.5	11.5
ASPE		11.5	11.5	11.5	11.5	11.5
Bridgeport		24.00	24.00	24.00	24.00	24.00
Barton		24.00	24.00	24.00	24.00	24.00
Blockline		4.00	4.00	4.00	4.00	4.00
Can Circle		26.00	26.00	26.00	26.00	26.00
75-pc Cr Pt		12.50	12.50	12.50	12.50	12.50
Convergint		1.50	1.50	1.50	1.50	1.50
East Dressings		11.50	11.50	11.50	11.50	11.50
Endurofilm Adhesive		1.50	1.50	1.50	1.50	1.50
EPAM		4.00	4.00	4.00	4.00	4.00
ESI E		4.00	4.00	4.00	4.00	4.00
ESSA AS		1.50	1.50	1.50	1.50	1.50
Celebrated Rob A.		3.00	3.00	3.00	3.00	3.00
Capo		14.00	14.00	14.00	14.00	14.00
Castrol		50.00	50.00	50.00	50.00	50.00
75-pc Cr Pt		50.00	50.00	50.00	50.00	50.00
Chertek		1.50	1.50	1.50	1.50	1.50
Conny		1.50	1.50	1.50	1.50	1.50
Dynalit 12.50		12.50	12.50	12.50	12.50	12.50
A		1.50	1.50	1.50	1.50	1.50
Earth		1.50	1.50	1.50	1.50	1.50
Enter		1.50	1.50	1.50	1.50	1.50
Epon		1.50	1.50	1.50	1.50	1.50
Endurof LU		1.50	1.50	1.50	1.50	1.50
Epoxies & Dandy A.		1.50	1.50	1.50	1.50	1.50
Epoxies Group		1.50	1.50	1.50	1.50	1.50
Grafter E		1.50	1.50	1.50	1.50	1.50
Graham Group		1.50	1.50	1.50	1.50	1.50
Hedland UJ		1.50	1.50	1.50	1.50	1.50
Hectic IS		1.50	1.50	1.50	1.50	1.50
Hectic E		1.50	1.50	1.50	1.50	1.50
Hepworths		1.50	1.50	1.50	1.50	1.50
Hewitt		1.50	1.50	1.50	1.50	1.50
Hewitt		1.50	1.50	1.50	1.50	1.50
Hinwood Will		1.50	1.50	1.50	1.50	1.50
Co Pt		1.50	1.50	1.50	1.50	1.50
Hochuk		1.50	1.50	1.50	1.50	1.50
John Mansfield		1.50	1.50	1.50	1.50	1.50
Johnson		1.50	1.50	1.50	1.50	1.50
Kingston E		1.50	1.50	1.50	1.50	1.50
Lectron-Dopp Fr		1.50	1.50	1.50	1.50	1.50
Lorraine J		1.50	1.50	1.50	1.50	1.50
Lubelast		1.50	1.50	1.50	1.50	1.50
90 Cr Pt		1.50	1.50	1.50	1.50	1.50
Marley		1.50	1.50	1.50	1.50	1.50
Marstech		1.50	1.50	1.50	1.50	1.50
5-pc Cr Pt		1.50	1.50	1.50	1.50	1.50
Meyer		1.50	1.50	1.50	1.50	1.50
Spence-Jones		1.50	1.50	1.50	1.50	1.50
Norcross		1.50	1.50	1.50	1.50	1.50
PTS Group		1.50	1.50	1.50	1.50	1.50
Phoenix		1.50	1.50	1.50	1.50	1.50
Polythene		1.50	1.50	1.50	1.50	1.50
Polypropylene		1.50	1.50	1.50	1.50	1.50
Castiglioni		1.50	1.50	1.50	1.50	1.50
RMC		1.50	1.50	1.50	1.50	1.50
Raines		1.50	1.50	1.50	1.50	1.50
Reedland		1.50	1.50	1.50	1.50	1.50
Rochet		1.50	1.50	1.50	1.50	1.50
Rossmann		1.50	1.50	1.50	1.50	1.50
Alveread		1.50	1.50	1.50	1.50	1.50
Rugby		1.50	1.50	1.50	1.50	1.50
Russett VJ		1.50	1.50	1.50	1.50	1.50
SG		1.50	1.50	1.50	1.50	1.50
St Cobain Fr		1.50	1.50	1.50	1.50	1.50
SMP		1.50	1.50	1.50	1.50	1.50
Shaw & Fisher		1.50	1.50	1.50	1.50	1.50
Shaw E		1.50	1.50	1.50	1.50	1.50
Song Ram		1.50	1.50	1.50	1.50	1.50
Symmons		1.50	1.50	1.50	1.50	1.50
Taroc		1.50	1.50	1.50	1.50	1.50
Titan		1.50	1.50	1.50	1.50	1.50
Transo Perkins		1.50	1.50	1.50	1.50	1.50
Uster		1.50	1.50	1.50	1.50	1.50
Universal Ceramic		1.50	1.50	1.50	1.50	1.50
Waterhouse		1.50	1.50	1.50	1.50	1.50
Wicks		1.50	1.50	1.50	1.50	1.50

ELECTRONIC & ELECTRICAL EQPT - Com

EXTRACTIVE INDUSTRIES - Cont.

HOUSEHOLD GOODS - Cont.

INVESTMENT TRUSTS - 9

INV TRUSTS SP		Notes	Price
95.9	0.7		
226.0	1.3		
333.0	12.3	Approved by the Island	
623.8	15.4	Atlantic Inv Spkr Inv. Inc.	
364.5	12.3	Abstrakt PFI Inc.	34
50.5	0.5	Zeta Inv Pl	162.5
97.0	2.3	Achimedes Inc.	193
212.0	1.3	Cap	215
213.0	1.3	City of Coldest	314
213.0	0.3	Zeta Inv Pl	314
213.0	0.3	Coasta-Cycl Inc.	34
150.5	17.8	Zeta Inv Pl	15
70.2	11.1	Zeta Inv Pl	100
103.7	4.8	Zeta Inv Pl	76
174.0	1.7	Doddy Inc.	100
130.0	3.1	Dressed Cr & An Inv	34
48.7	1.5	Montay Inv	34
78.7	4.3	Stabber Income	34
127.5	1.3	Zeta Inv Pl	34
81.0	16.0	Emisor Dual	34
232.7	2.9	Zeta Inv Pl	200
122.5	2.0	Flynn & Smith Inv. Inc.	200
244.9	12.3	Cr Plg Pl	34
163.5	2.3	Realty & C Inv. Inc.	34
101.0	4.0	Zeta Inv Pl	200
272.9	11.7	Zeta Inv Pl	200
85.8	16.7	Zeta Inv Pl	50
122.0	16.9	Zeta Inv	50
48.3	8.0	Warrants	50
		Net asset value supplied by Index	
		as a guide only. See guide in Loca	

STATEMENT FOR J.

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.		LONDON SHARE SERVICE	
OTHER FINANCIAL		PROPERTY - Cont.	
OTHER SERVICES & BUSINESSES		SUPPORT SERVICES - Cont.	
PAPER, PACKAGING & PRINTING		AIM - Cont.	
RETAILERS, FOOD		AMERICANS	
RETAILERS, GENERAL		TELECOMMUNICATIONS	
PHARMACEUTICALS		TEXTILES & APPAREL	
SUPPORT SERVICES		CANADIANS	
OIL EXPLORATION & PRODUCTION		SOUTH AFRICANS	
PROPERTY		GUIDE TO LONDON SHARE SERVICE	
Spirits, Wines & Ciders		Notes	
SUPPORT SERVICES		Notes	
OIL, INTEGRATED		Notes	
LEISURE & HOTELS		Notes	
OTHER FINANCIAL		Notes	
OTHER SERVICES & BUSINESSES		Notes	
PAPER, PACKAGING & PRINTING		Notes	
RETAILERS, FOOD		Notes	
RETAILERS, GENERAL		Notes	
PHARMACEUTICALS		Notes	
SUPPORT SERVICES		Notes	
OIL EXPLORATION & PRODUCTION		Notes	
PROPERTY		Notes	
Spirits, Wines & Ciders		Notes	
SUPPORT SERVICES		Notes	
OIL, INTEGRATED		Notes	
LEISURE & HOTELS		Notes	
OTHER FINANCIAL		Notes	
OTHER SERVICES & BUSINESSES		Notes	
PAPER, PACKAGING & PRINTING		Notes	
RETAILERS, FOOD		Notes	
RETAILERS, GENERAL		Notes	
PHARMACEUTICALS		Notes	
SUPPORT SERVICES		Notes	
OIL EXPLORATION & PRODUCTION		Notes	
PROPERTY		Notes	
Spirits, Wines & Ciders		Notes	
SUPPORT SERVICES		Notes	
OIL, INTEGRATED		Notes	
LEISURE & HOTELS		Notes	
OTHER FINANCIAL		Notes	
OTHER SERVICES & BUSINESSES		Notes	
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RETAILERS, FOOD		Notes	
RETAILERS, GENERAL		Notes	
PHARMACEUTICALS		Notes	
SUPPORT SERVICES		Notes	
OIL EXPLORATION & PRODUCTION		Notes	
PROPERTY		Notes	
Spirits, Wines & Ciders		Notes	
SUPPORT SERVICES		Notes	
OIL, INTEGRATED		Notes	
LEISURE & HOTELS		Notes	
OTHER FINANCIAL		Notes	
OTHER SERVICES & BUSINESSES		Notes	
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RETAILERS, GENERAL		Notes	
PHARMACEUTICALS		Notes	
SUPPORT SERVICES		Notes	
OIL EXPLORATION & PRODUCTION		Notes	
PROPERTY		Notes	
Spirits, Wines & Ciders		Notes	
SUPPORT SERVICES		Notes	
OIL, INTEGRATED		Notes	
LEISURE & HOTELS		Notes	
OTHER FINANCIAL		Notes	
OTHER SERVICES & BUSINESSES		Notes	
PAPER, PACKAGING & PRINTING		Notes	
RETAILERS, FOOD		Notes	
RETAILERS, GENERAL		Notes	
PHARMACEUTICALS		Notes	
SUPPORT SERVICES		Notes	
OIL EXPLORATION & PRODUCTION		Notes	
PROPERTY		Notes	
Spirits, Wines & Ciders		Notes	
SUPPORT SERVICES		Notes	
OIL, INTEGRATED		Notes	
LEISURE & HOTELS		Notes	
OTHER FINANCIAL		Notes	
OTHER SERVICES & BUSINESSES		Notes	
PAPER, PACKAGING & PRINTING		Notes	
RETAILERS, FOOD		Notes	
RETAILERS, GENERAL		Notes	
PHARMACEUTICALS		Notes	
SUPPORT SERVICES		Notes	
OIL EXPLORATION & PRODUCTION		Notes	
PROPERTY		Notes	
Spirits, Wines & Ciders		Notes	
SUPPORT SERVICES		Notes	
OIL, INTEGRATED		Notes	
LEISURE & HOTELS		Notes	
OTHER FINANCIAL		Notes	
OTHER SERVICES & BUSINESSES		Notes	
PAPER, PACKAGING & PRINTING		Notes	
RETAILERS, FOOD		Notes	
RETAILERS, GENERAL		Notes	
PHARMACEUTICALS		Notes	
SUPPORT SERVICES		Notes	
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PROPERTY		Notes	
Spirits, Wines & Ciders		Notes	
SUPPORT SERVICES		Notes	
OIL, INTEGRATED		Notes	
LEISURE & HOTELS		Notes	
OTHER FINANCIAL		Notes	
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RETAILERS, FOOD		Notes	
RETAILERS, GENERAL		Notes	
PHARMACEUTICALS		Notes	
SUPPORT SERVICES		Notes	
OIL EXPLORATION & PRODUCTION		Notes	
PROPERTY		Notes	
Spirits, Wines & Ciders		Notes	
SUPPORT SERVICES		Notes	
OIL, INTEGRATED		Notes	
LEISURE & HOTELS		Notes	
OTHER FINANCIAL		Notes	
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RETAILERS, FOOD		Notes	
RETAILERS, GENERAL		Notes	
PHARMACEUTICALS		Notes	
SUPPORT SERVICES		Notes	
OIL EXPLORATION & PRODUCTION		Notes	
PROPERTY		Notes	
Spirits, Wines & Ciders		Notes	
SUPPORT SERVICES		Notes	

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

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OFFSHORE INSURANCES

MARKET REPORT

Takeover stories still the driving force in equities

By Steve Thompson,
UK Stock Market Editor

Predators still see the UK utilities sector as a happy hunting ground. With the day's company news coming down firmly on the bull side, London's equity market was never under pressure yesterday.

International and economic developments also proved supportive. The Bank of England's quarterly report indicated that there were no substantial domestic inflationary pressures. Mr Richard Jeffrey, group economist at Charterhouse, the merchant bank, described the report as "reassuring" and said the danger for fund managers was in

being underweight in a fast rising equity market.

Wall Street started very strongly with the Dow Jones Industrial Average more than 30 points ahead 90 minutes after the London close. The biggest European stock markets, Frankfurt and Paris, also performed well.

The FT-SE 100 index continued on its upward path, ending the trading session a net 14.7 higher at 3,537.1, for a three-day gain of 36.7, or just over 1 per cent.

Meanwhile, the junior FT-SE Mid 250 index was 15.2 ahead at 3,029.1, with the help of the day's biggest takeover story, the news that Welsh Water was considering launching a

bid for South Wales Electricity. Such a move would establish the second regional utility link-up in the UK. The first "super-utility", the bid from North West Water for Norweb, was unveiled last month.

Utilities continued to provide many of the outstanding performers, with Thames Water leading the FT-SE 100 pack, followed closely by London Electricity and Scottish Power. South Wales Electricity topped the FT-SE Mid 250 table, with Yorkshire Electricity, East Midland and Northern Electric not far behind.

Dealers took the view that a bid for any of the remaining recs was a distinct possibility. Water shares, boosted by Tuesday's news that the Department of Trade and Industry had allowed Lyonnaise des Eaux, the French group, to proceed with a bid for Northumbrian Water, with certain conditions, all performed very strongly.

Helping to drive the market forward towards the close was a rumour that one of the UK's life assureds was about to attract the attentions of a predator. The sector has been aggressively bought in recent weeks as old talk circulated. London & Manchester was the stock being put forward as a likely target, although insurance specialists were generally sceptical. Traders said a badly handled buying

order had been responsible for the sudden upsurge in the London & Manchester share price but, significantly, they said an offer for the group was entirely feasible.

The trading session commenced with marketmakers on the defensive after Wall Street's overnight decline, caused mainly by weakness in high-technology issues. Selling of the leading stocks was never any more than light, however, and news of excellent figures from companies such as BAT Industries and Scottish Power, plus the latest utilities bid, helped the market advance.

Turnover at 5pm had reached 678.7m shares. Customer business on Tuesday was worth £1.9bn.

Swalec
the new
target

The market spotlight once again fell on the utilities as Welsh Water confirmed market speculation that it was considering a bid for South Wales Electricity (Swalec).

Welsh Water said it is "examining the case" for making a bid and any offer would be in the region of £102p, valuing Swalec at around £390m. The takeover panel was said to have forced it to reveal its intentions.

The electricity group advised investors to take no action until Welsh Water clarifies its intentions, but market watchers said it was unlikely that the water group would hold back from confirming a bid.

Shares in Swalec, already strong on the bid talk, closed 70 pence at 1056p, a 7 per cent gain that made it the best performing stock in the FT-SE Mid 250 index. Volume was 1.7m shares. In contrast, Welsh Water surrendered 30 to 724p in trade of 1.1m.

The word in the market is that Swalec is determined to stay independent and will mount a strong defence. One trader said: "Anyway, I cannot see Swalec caving in at that suggested price. It can only be an opening shot."

An analyst commented: "A successful bid could result in common billing, customer contact and administration given the two companies have a common customer base."

A profits disappointment from KNP BT, of the Netherlands, cut a swathe through the paper stocks, pushing Arjo Wiggins to the bottom of the Footsie rankings and severely depressing David S. Smith.

The Dutch paper leader, which trades in much the same sort of grades as Arjo and Smith, has been hit heavily by price weakness and destocking, and its third-quarter results fell well short of analysts' estimates. Arjo dropped more than 7 per cent. In turnover which rose to a 14-month high of 10m, the share gained 17.7p at 2114p. Smith shed 9% to 272p.

News that Mr Andrew Teare will be the new chief executive at Rank Organisation cheered the market. The shares responded by rising 7 to 427p.

Business support services group BET was again heavily dealt as a result of dividend hopes plus an increasingly favourable perception of the group's recent £2.5bn purchase of Elster Group.

Takeover talk returned to food manufacturing group Cadbury Schweppes, sending the shares sharply ahead. By the close Cadbury shares had advanced 16 to 546p in trade of 4.2m, with Anglo-Dutch group Unilever named as a possible suitor.

However, analysts remained sceptical about the talk and one said: "Unilever can afford to buy Cadbury but I think it has other things on its plate at the moment so I cannot see it making such a move." Unilever eased 5 to 1197p.

Guinness remained under a cloud following profits down-

gradings earlier this week. The shares gave up another 3% to 4854p in trade of 6.3m.

Dealers reported more switching from the spirits and into other stocks in the drinks sector. Among those to benefit from such a switch was Bass, 11 better at 679p, and Scottish & Newcastle, up 8 at 890p.

A profits warning from chocolate products manufacturer and retailer Thorntons left the shares trailing 7 at 136p.

Pumps leader Weir Group retreated 7 to 226p on news of the threat to the privatisation of the Devonport dockyards. It was the group's second helping of bad news in two days, following Tuesday's profits down-grade by BZW.

The broker sliced back its profits estimates for seven cyclical engineering shares on the back of price weakness and de-stocking across Europe. It moved from hold to sell on three: Gwynedd International, APV and Weir.

GEN closed 4 better at 806p ahead of yesterday's dinner for institutional investors hosted by Henderson Crosthwaite.

In the rest of the water sector, bid speculation continued to drive Northumbrian ahead.

The shares gained another 19 to 1089p, with the dealers continuing to suggest that French group Lyonnaise des Eaux

would announce a bid for Northumbrian today. The UK government cleared Lyonnaise's proposed takeover of Northumbrian on Tuesday.

The UK utility reports figures today and the market expects the group to announce a sharp dividend increase of around 20 per cent.

However, NatWest Securities urged investors to reduce holdings in the stock, saying: "The share price is fully up with events."

Elsewhere, Thames, a recent underperformer, was in demand and the shares jumped 19 to 556p, making it the best performing Footsie constituent

of the day.

Among electricity stocks, takeover talk was behind a sharp rise in London up 54 at 946p. Northern moved ahead 23 to 580p and East Midland 25 to 570p.

Scottish Power rose 5% to 361p after reporting first-half figures in line with market expectations.

Telecoms giant BT added a profit at 56p in 9.4m traded ahead of today's interim results statement. Among cable groups, General Cable was up 4 to 193p following a buy recommendation from NatWest Securities.

Computer software group Computerworx rose 19 to 416p, extending its rally by more than 10 per cent in two days.

Dealers said the buy recommendation from NatWest Securities.

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AMERICA

Tech stocks recoup losses at midsession

Wall Street

US share prices were higher in early trading yesterday as technology issues rebounded from Tuesday's losses, writes Lisa Bransten in New York.

At 1pm on the Nasdaq composite, weighted towards the technology sector, stood 7.73 firmer at 1,051.63, reversing part of Tuesday's 18.24 retreat. The Pacific Stock Exchange technology index advanced 0.9 per cent.

Microsoft, the largest company on the Nasdaq, moved up \$1 to \$94, recovering part of Tuesday's 3.4% decline.

Semiconductor shares — which were among the hardest hit groups on Tuesday — were mixed.

Cirrus Logic gained 3.1% at \$29.3, bouncing up modestly from the loss of 1.2%, it registered on Tuesday; while Intel, the Nasdaq's second largest company, slipped another 9% to \$66 on the heels of Tuesday's 3.1% loss.

Interest in the internet helped spur some of the technology gains. Sun Microsystems

jumped \$3 to \$327 on news that two software companies, Spyglass and Borland International, had licensed Sun's Java programming language, which can be used to create graphics for worldwide web sites on the internet.

Strength on the Nasdaq spilled over to other indices, helping the Dow Jones Industrial Average rise 31.79 to 4,328.12. The Standard & Poor's 500 added 3.47 at \$591.79 and the American Stock Exchange composite was 1.73 higher at 550.39. Volume on the New York Stock Exchange came to 200m shares.

Shares of Columbia/HCA Healthcare dipped 1.1% to \$49.50 after the healthcare service provider missed analysts' estimates of third-quarter earnings by 1 cent a share. Columbia/HCA reported profits, before one-off charges to restructure debt, of 61 cents a share, compared with estimates that it would make 62 cents a share.

American depositary receipts of Mexican companies were lower in New York as the peso continued to falter in currency trading. Grupo Televisa slipped

5% to \$164. Telmex was off \$1 at \$25.50 after Iusacell, a mobile phone company, filed an antitrust complaint against the company.

Canada

Profit-taking in Toronto, following the market's recent strong rally, led to a gentle slide by midsession.

The TSX 300 composite index was down 0.54 at 4,576.00 in volume of 1.43m shares, while weak stocks narrowly led the risers by 230 to 232.

High-technology issue Newbridge Networks fell 0.5% to \$44.84, while BioChem Pharma dipped 0.82% to \$49 following an early profit forecast downgrade by Smith Barney.

SOUTH AFRICA

Gold shares were lifted by a firmer bullion price which pulled the overall index higher, while industrials fell back following Tuesday's record high.

The overall index added 4.13 at 5,793.2, industrials lost 2.58 at 7,652.7 and golds gained 45.5 or 3.6 per cent at 1,314.0.

Mexico contends with rate rise

Mexico City declined sharply in early trading following a rise in domestic interest rates and renewed speculation about the peso. The IPC index was down 4.21 or 1.9 per cent at 2,213.75 by midsession.

Brokers said the increase in rates heightened worries that Mexico would need to offer even higher rates to attract investors worried about a further slide in the peso, higher inflation and a delayed economic recovery.

SAO PAULO was off 1 per cent in light mid-day trade as the Mexican factor hit sentiment.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES									
Market	No. of stocks	Dollar terms			Local currency terms				
		Nov. 3 1995	% Change over week	% Change on Dec. 94	Nov. 3 1995	% Change over week	% Change on Dec. 94	Nov. 3 1995	% Change over week
Latin America	(262)	443.28	-0.6	-23.5	395,423.91	+0.9	-12.3		
Argentina	(30)	644.70	+0.9	-12.2	1,109.63	-0.0	-5.9		
Brazil	(72)	308.27	-0.0	-19.8	1,206.33	-3.2	-4.3		
Chile	(36)	720.98	-3.8	-8.1	1,206.33	-3.2	-4.3		
Colombia ^a	(16)	596.02	+0.1	-27.8	1,036.67	+0.4	-13.3		
Mexico	(67)	396.10	-1.8	-34.8	1,266.34	+2.6	-1.9		
Peru ^a	(19)	182.98	+2.7	+2.6	255.19	+3.3	+7.3		
Venezuela ^a	(12)	529.69	-0.1	+7.0	2,067.41	-0.1	+7.0		
Asia	(67)	224.70	-3.6	-9.9	108.41	-1.8	-33.2		
China ^a	(20)	61.52	-2.5	-18.9	64.84	-2.5	-20.2		
South Korea ^a	(159)	142.06	-1.9	+3.9	144.09	-1.2	+1.7		
Philippines ^a	(25)	246.90	-0.9	-17.2	310.91	-0.5	-11.5		
Taiwan, China ^a	(93)	106.08	-2.8	-35.5	108.47	-1.8	-33.2		
India ^a	(101)	90.13	+2.6	+27.0	110.91	+0.2	+19.4		
Indonesia ^a	(42)	107.75	-2.1	+8.0	133.55	-1.9	+12.2		
Malaysia ^a	(114)	250.95	-5.3	-6.6	235.78	-4.8	-6.9		
Pakistan ^a	(36)	250.32	-7.9	-31.6	369.92	-1.0	-24.0		
Sri Lanka ^a	(19)	108.07	-0.5	-37.2	124.00	+0.4	-33.1		
Thailand	(68)	364.89	-3.0	-4.9	365.74	-2.5	-4.3		
Euro/Mid East	(208)	138.54	+0.2	+16.9	108.47	-1.8	-33.2		
Greece	(40)	243.32	-3.9	+7.9	384.93	-2.9	+4.7		
Hungary ^a	(9)	117.61	-1.6	-22.5	187.16	-0.6	-9.4		
Jordan	(8)	187.08	+1.9	+24.7	279.29	+1.9	+25.5		
Poland ^a	(16)	114.44	+4.7	+1.5	716.28	+5.4	+0.7		
Portugal	(27)	116.10	+0.3	-1.6	121.65	+0.8	+0.2		
South Africa ^a	(54)	134.14	+1.1	+6.2	163.05	+1.4	+3.2		
Turkey ^a	(41)	137.34	-5.5	+12.8	3,242.60	-3.7	+51.0		
Zimbabwe ^a	(5)	265.07	-0.3	+8.3	360.79	+0.6	+18.7		
Composites	(1138)	265.67	-1.5	-13.6					

Indices are calculated at end-week, and weekly changes are percentage movements from the previous Friday. Price data: Dec. 1988=100 except those noted which are: 1981=1991; 1982=1992; 1983=1992; 1984=1992; 1985=1992; 1986=1992; 1987=1992; 1988=1992; 1989=1992; 1990=1992; 1991=1992; 1992=1992; 1993=1992; 1994=1992; 1995=1992; 1996=1992; 1997=1992; 1998=1992; 1999=1992; 2000=1992; 2001=1992; 2002=1992; 2003=1992; 2004=1992; 2005=1992; 2006=1992; 2007=1992; 2008=1992; 2009=1992; 2010=1992; 2011=1992; 2012=1992; 2013=1992; 2014=1992; 2015=1992; 2016=1992; 2017=1992; 2018=1992; 2019=1992; 2020=1992; 2021=1992; 2022=1992; 2023=1992; 2024=1992; 2025=1992; 2026=1992; 2027=1992; 2028=1992; 2029=1992; 2030=1992; 2031=1992; 2032=1992; 2033=1992; 2034=1992; 2035=1992; 2036=1992; 2037=1992; 2038=1992; 2039=1992; 2040=1992; 2041=1992; 2042=1992; 2043=1992; 2044=1992; 2045=1992; 2046=1992; 2047=1992; 2048=1992; 2049=1992; 2050=1992; 2051=1992; 2052=1992; 2053=1992; 2054=1992; 2055=1992; 2056=1992; 2057=1992; 2058=1992; 2059=1992; 2060=1992; 2061=1992; 2062=1992; 2063=1992; 2064=1992; 2065=1992; 2066=1992; 2067=1992; 2068=1992; 2069=1992; 2070=1992; 2071=1992; 2072=1992; 2073=1992; 2074=1992; 2075=1992; 2076=1992; 2077=1992; 2078=1992; 2079=1992; 2080=1992; 2081=1992; 2082=1992; 2083=1992; 2084=1992; 2085=1992; 2086=1992; 2087=1992; 2088=1992; 2089=1992; 2090=1992; 2091=1992; 2092=1992; 2093=1992; 2094=1992; 2095=1992; 2096=1992; 2097=1992; 2098=1992; 2099=1992; 2010=1992; 2011=1992; 2012=1992; 2013=1992; 2014=1992; 2015=1992; 2016=1992; 2017=1992; 2018=1992; 2019=1992; 2020=1992; 2021=1992; 2022=1992; 2023=1992; 2024=1992; 2025=1992; 2026=1992; 2027=1992; 2028=1992; 2029=1992; 2030=1992; 2031=1992; 2032=1992; 2033=1992; 2034=1992; 2035=1992; 2036=1992; 2037=1992; 2038=1992; 2039=1992; 2040=1992; 2041=1992; 2042=1992; 2043=1992; 2044=1992; 2045=1992; 2046=1992; 2047=1992; 2048=1992; 2049=1992; 2050=1992; 2051=1992; 2052=1992; 2053=1992; 2054=1992; 2055=1992; 2056=1992; 2057=1992; 2058=1992; 2059=1992; 2060=1992; 2061=1992; 2062=1992; 2063=1992; 2064=1992; 2065=1992; 2066=1992; 2067=1992; 2068=1992; 2069=1992; 2070=1992; 2071=1992; 2072=1992; 2073=1992; 2074=1992; 2075=1992; 2076=1992; 2077=1992; 2078=1992; 2079=1992; 2080=1992; 2081=1992; 2082=1992; 2083=1992; 2084=1992; 2085=1992; 2086=1992; 2087=1992; 2088=1992; 2089=1992; 2090=1992; 2091=1992; 2092=1992; 2093=1992; 2094=1992; 2095=1992; 2096=1992; 2097=1992; 2098=1992; 2099=1992; 2010=1992; 2011=1992; 2012=1992; 2013=1992; 2014=1992; 2015=1992; 2016=1992; 2017=1992; 2018=1992; 2019=1992; 2020=1992; 2021=1992; 2022=1992; 2023=1992; 2024=1992; 2025=1992; 2026=1992; 2027=1992; 2028=1992; 2029=1992; 2030=1992; 2031=1992; 2032=1992; 2033=1992; 2034=1992; 2035=1992; 2036=1992; 2037=1992; 2038=1992; 2039=1992; 2040=1992; 2041=1992; 2042=1992; 2043=1992; 2044=1992; 2045=1992; 2046=1992; 2047=1992; 2048=1992; 2049=1992; 2050=1992; 205